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Another Look at Welfare Reform

A Report by the
National Council of Welfare

Autumn 1997

Canada

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ANOTHER LOOK AT WELFARE REFORM

**A Report by the
National Council of Welfare**

Autumn 1997

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PREFACE

This is the third report by the National Council of Welfare in recent years that looks in detail at the welfare policies of provincial and territorial governments. The first report was Welfare in Canada: The Tangled Safety Net, which was published in 1987 and organized around issues such as eligibility for benefits, welfare rates and appeals. The second report was Welfare Reform, which was published in 1992 and organized by province and territory rather than by issues. Another Look at Welfare Reform is also organized by province and territory and updates changes in welfare policy to the fall of 1997.

The welfare system described in the pages ahead has become leaner and meaner in most parts of Canada. Many of the cuts of the 1990s were the result of new policies adopted by provincial and territorial governments on their own initiative. The federal government also bears responsibility, however, because of its cuts in financial support for provincial and territorial welfare programs.

Another Look at Welfare Reform begins with a look at fiscal restraints originating in Ottawa and then turns to changes in welfare policy by province and territory. The individual provincial chapters are followed by an analysis of two of the factors with the most impact on the welfare system - jobs and money - and a concluding chapter that contains a series of recommendations for improving welfare in Canada.

As in our previous work on welfare, the National Council of Welfare circulated a draft text of this report to provincial and territorial officials and asked them to verify the factual material. The Council greatly appreciates the time they took to review the text. We made numerous corrections as a result of their comments, and the final version is much improved as a result.

The analysis of the factual material, the conclusions drawn and the recommendations made in this report all are the sole responsibility of the National Council of Welfare. We realize that some governments support our views and others do not. Either way, we believe that the report will add to the public's understanding of welfare programs and will stimulate debate on ways to assist the millions of people on welfare who are among the poorest of the poor in Canada.

THE SETTING FOR WELFARE REFORM

The beginning of the 1990s was a most inauspicious time for welfare reform in Canada. The federal government and most provincial governments were saddled with sizable budget deficits as the decade began, and they were under continuing pressure to cut spending wherever possible.

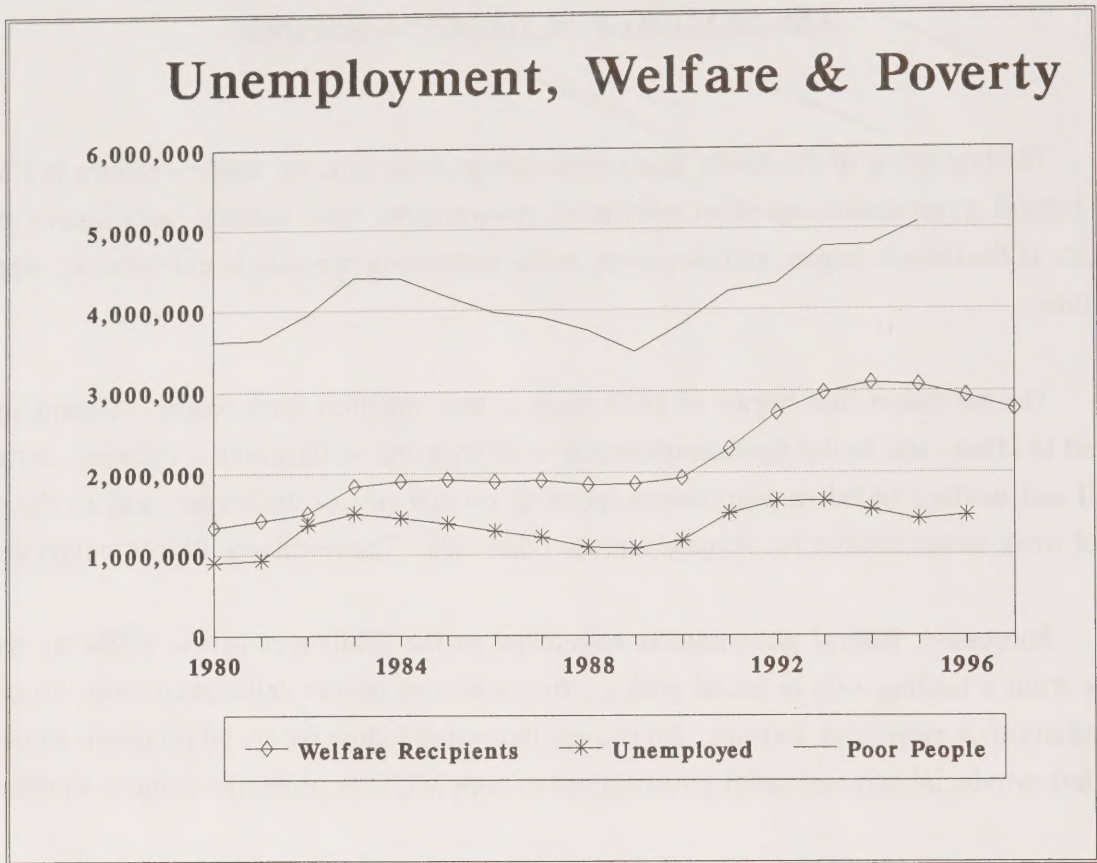
The recession that began in 1990 made a bad situation even worse. Unemployment started to climb, and so did the unemployment insurance and welfare rolls. Increases in the cost of UI and welfare added to government spending on one side of the ledger, and all the people out of work meant smaller tax revenues on the other side. The result was higher budget deficits.

Successive federal governments responded to the challenges of the 1990s by backing away from a leading role in social policy. In a series of moves undertaken with virtually no consultation or even prior warning, Ottawa cut its own spending for social programs to the bone and left provincial and territorial governments to cope with the problems dumped in their laps.

By the time the federal government started taking a second look at its role in social programs in 1996 and 1997, the new initiatives it supported paled beside the damage that had already been done.

Canadians wind up on welfare for any number of reasons, but one of the main reasons is unemployment. Welfare statistics dating back to the beginning of the Canada Assistance Plan in 1966 show a strong link between the number of people on welfare and the number of people who are unemployed. The graph on the next page shows the trends from 1980.

The line marked with stars shows the average number of people who were unemployed each year. The increases starting in 1982 were the result of the recession of 1981 and 1982, the worst economic downturn since the Great Depression of the 1930s. The number of people looking for work declined slowly for the rest of the decade and started rising again with the recession of 1990 and 1991. The unemployment figures for all of 1997 will not be available until early 1998.



The same general pattern appears in the line marked with diamonds representing the estimated number of people on welfare as of March 31 each year. The number of people on welfare is invariably higher than the number of people who are unemployed. There are two main reasons for this. The unemployment statistics cover individuals who are out of work, but they do not take account of spouses or children of unemployed Canadians. The welfare statistics count all members of all families on welfare as well as the "unattached" individuals who are on welfare. The welfare statistics also include a sizable number of people - especially people with severe disabilities - who would not normally be part of the paid labour force in the first place.

In 1990, the average number of people who were unemployed was 1,163,900. Unemployment reached a peak of 1,648,800 in 1993 and was down to 1,469,200 in 1996. The number of people on welfare rose from 1,930,100 in 1990 to 3,100,200 in 1994 and was down to 2,937,100 by 1996. The number on welfare as of March 31, 1997, was 2,774,900.

The graph also shows the number of poor people in Canada each year from 1980 through 1995 as reported in the National Council of Welfare's annual publication Poverty Profile. Like the statistics on unemployment and welfare, the statistics on poverty rise and fall with the state of the economy. The 1996 poverty statistics will not be available until the end of 1997.

This report on welfare reform in the 1990s includes detailed information about welfare programs in each province and territory, including trends in welfare caseloads and the adequacy of the benefits provided.

Welfare is often described as Canada's social safety net of last resort, because it was designed to assist people who have exhausted all other means of support. Welfare is supposedly designed to cover the cost of the necessities of life. As we will see repeatedly in this report, however, the size of a person's welfare cheque often has less to do with the cost of living and more to do with the willingness of governments to foot the bill.

Welfare in Canada is funded primarily by the federal, provincial and territorial governments. Cuts in federal support have had a devastating effect on the adequacy of welfare programs throughout Canada. Most provinces and territories were quick to pass on the federal cuts or impose additional cuts of their own.

The federal government started walking away from welfare and social services in 1990 with a cap on cost-sharing under the Canada Assistance Plan in the three wealthiest provinces: Ontario, Alberta and British Columbia. The Progressive Conservative government in Ottawa decided that payments under the plan to the three provinces would not increase by more than five percent a year. The "cap on CAP" was originally set to last for two years, but it was later extended until the end of the 1994-95 fiscal year.

Welfare caseloads continued to grow in Ontario and British Columbia in the wake of the recession of 1990 and 1991, and the provinces had to pay all the costs of welfare and social services above the five percent ceiling. In the end, the cap on CAP cost British Columbia \$1.3 billion and Ontario a whopping \$8.4 billion. Losses in Alberta were minimal because of the province's decision to reduce the size of its welfare rolls under reforms that began in 1993.

The National Council of Welfare strongly criticized the cap on CAP in a 1990 report entitled The Canada Assistance Plan: No Time for Cuts. We argued that the federal government should not be cutting its support for welfare at a time of increasing need and that poor people should not be asked to share the burden of cuts in government spending.

Not long after the 1993 federal election, the new Liberal government announced an overall freeze on welfare payments to the provinces and territories and imposed a new round of cuts in unemployment insurance.

Federal social policy hit rock bottom in the 1995 budget speech with huge cuts in spending and a new "block funding" mechanism known as the Canada Health and Social Transfer to replace the Canada Assistance Plan and funding arrangements for medicare and post-secondary education that were known as Established Programs Financing.

The new funding arrangements started with the 1996-97 fiscal year on April 1, 1996, and ushered in sizable cuts in combined federal support for medicare, post-secondary education, welfare and social services. In the 1994-95 fiscal year, the federal government paid \$29.4 billion to the provinces and territories for the four programs, partly in cash and partly in taxing powers that Ottawa had originally given up in 1977. By 1997-98, total federal support would fall by 14 percent to \$25.2 billion.

Welfare was particularly hard hit by the change in federal policy. The Canada Assistance Plan required provinces and territories to provide welfare to all people determined to be "in need." It required provinces and territories to have a procedure for appeals for people who felt mistreated by the welfare system. And it prevented provinces and territories from imposing residence requirements on people applying for welfare.

Under the Canada Health and Social Transfer, only the ban on residence requirements remained. The elimination of the needs test as a national standard cleared the way for provinces and territories to impose work-for-welfare programs and to disqualify certain groups from applying for welfare. Appeals continued to be allowed even without a national requirement, but most appeals systems became meaner because of new limits on the types of decisions that could be appealed or because the process itself became more rigid and legalistic.

TABLE 1

**FEDERAL TRANSFERS FOR MEDICARE, POST-SECONDARY EDUCATION
WELFARE AND SOCIAL SERVICES IN MILLIONS OF DOLLARS**

	Previous Fiscal Arrangements		Canada Health and Social Transfer		
	1994-95	1995-96	1996-97	1997-98	1998-99
Newfoundland	\$608	\$608	\$559	\$506	\$511
Prince Edward Island	137	137	123	115	118
Nova Scotia	964	966	869	805	822
New Brunswick	763	764	692	637	651
Quebec	8,098	8,141	7,358	6,814	6,923
Ontario	10,530	10,653	9,682	9,129	9,468
Manitoba	1,141	1,143	1,033	955	976
Saskatchewan	982	981	898	830	848
Alberta	2,525	2,552	2,273	2,182	2,269
British Columbia	3,573	3,632	3,311	3,175	3,312
Yukon	34	35	30	29	30
Northwest Territories	74	75	72	68	69
CANADA	\$29,429	\$29,686	\$26,900	\$25,243	\$25,996

The National Council of Welfare called the Canada Health and Social Transfer "the worst social policy initiative undertaken by the federal government in more than a generation" in a report entitled The 1995 Budget and Block Funding. Other social policy groups raised similar complaints. The federal government refused to listen.

The first concession to the criticism came in the 1996 federal budget speech with the announcement that cash payments to the provinces and territories under the Canada Health and

Social Transfer would not fall below \$11 billion a year. A second concession came at the start of the 1997 federal election campaign, when the Liberals said the cash floor for the CHST would be raised to \$12.5 billion. The announcement was billed as a reinvestment in health care. Welfare was barely mentioned during the campaign that followed.

Table 1 on the previous page shows federal transfers for medicare, post-secondary education, welfare and social services by province and territory from the 1994-95 fiscal year through fiscal 1998-99. The figures are cash payments and taxing powers combined and are based on a minimum total cash payment of \$12.5 billion.¹

The first two columns reflect the previous restraints on federal payments under the Canada Assistance Plan and on federal support for medicare and post-secondary education. The next three columns show the additional cuts under the new Canada Health and Social Transfer. The overall drop in federal support from the 1994-95 fiscal year to 1997-98 was 14.2 percent, from \$29.4 billion to \$25.2 billion. Federal support now is predicted to rise by three percent to nearly \$26 billion in 1998-99. Without the cash floor of \$12.5 billion, federal support would have fallen to \$25.1 billion.

Cuts in federal funding under the Canada Health and Social Transfer were not the only battle scars on the social policy landscape of the 1990s. Ottawa also cut its support for unemployment insurance, subsidized housing and Aboriginal people and failed to deliver on a promise to expand subsidized day care.

Both the Progressive Conservatives and Liberals made cuts to unemployment insurance in the 1990s. The name of the program was eventually changed to employment insurance - a purely cosmetic change that no doubt provided jobs for the people who print stationery and the painters who do the signs at federal offices - but the program itself became a shadow of its former self.

Figures from Human Resources Development Canada show that 88 percent of unemployed workers received UI benefits in 1990. The percentage fell more or less steadily in the years that followed and was down to 43 percent of unemployed workers by the middle of 1997. The reforms in employment insurance made it more difficult for unemployed workers to

get benefits in the first instance, reduced the level of benefits for many recipients, and cut the length of the benefit periods.

Meanwhile, the employment insurance fund, a fund that is made up of contributions by workers and employers which are not immediately needed to pay benefits, is expected to grow to more than \$12 billion during the 1997-98 fiscal year. The federal Finance Department said the fund is a contingency against a future downturn in the economy. Critics said the fund was kept large simply because it reduces the size of the federal deficit.

Reduced federal support for employment insurance means more dependency on provincial and territorial welfare programs. Until recently, Ottawa insisted that only ten percent of people who exhausted UI benefits ended up on welfare, but the federal claim was widely disputed by others. Quebec, for example, estimated that the federal UI reforms had pushed some 30,000 new cases onto welfare in the province from 1990 to 1994 and that 46.4 percent of welfare recipients over 30 in 1994-95 were unemployed people who were getting little or no support from the federal government.²

In the 1993 federal election campaign, the Liberals had promised more financial support for day care once the economy recovered from the last recession. The specific promise was a total of 150,000 new subsidized day care spaces over a period of three years beginning in the 1995-96 fiscal year at a cost of \$720 million.

By the end of 1995, the offer was still on the table, but a new catch was added: provinces would have to come up with half the money for the new program. In June 1996, the revised offer was withdrawn by the Minister of Human Resources Development. The Minister made the provinces a much reduced offer of \$250 million over three years to help parents find child care so they could remain at work.

The reason given in Ottawa for the Liberal government's change of heart was lack of provincial interest. Several provincial governments were quick to take issue with that explanation.

Progressive Conservative and Liberal governments also reduced federal support for housing programs in recent years. Under the slogan "Getting Government Right," the federal

government announced in the 1996 budget speech that Canada Mortgage and Housing Corporation would phase out its remaining role in "social" or subsidized housing except for housing on Indian reserves. By early 1997, provinces were signing agreements with Ottawa to manage social housing programs started in previous years. Provincial governments will have more flexibility to revamp their housing budgets with a minimum of national standards.

Finally, the federal government's commitments in the area of welfare for Aboriginal people also were compromised in the 1990s. Under the Constitution, Ottawa is responsible for assistance to status Indians living on reserves. In 1992, the federal government gave notice that it would no longer cover the full cost of welfare for the first year that a family moved away from the reserve. Thousands of new cases were added to provincial welfare rolls as a result.

The welfare rates paid by Ottawa for Indians who are still living on reserves also fell as a consequence of provincial and territorial cuts that were made in the wake of the overall squeeze in federal funding. Welfare for status Indians living on a reserve works according to the provincial or territorial welfare system's rules and benefit levels. Most governments cut their basic or special assistance rates and made it harder for people to qualify for welfare, and all of those changes applied equally to people on reserves.

The one advance in federal social policy during the 1990s came in the area of child benefits. Ottawa responded positively to a proposal by provincial and territorial governments to improve benefits for poor families with children. By the time of the 1997 federal budget speech, the proposal amounted to a modest increase in federal child benefits, with the details still being negotiated with provinces and territories.

The basic idea was to create a new Canada Child Tax Benefit for low-income and middle-income families with children. The benefit would replace the current federal Child Tax Benefit, including the working income supplement for low-wage families contained in the federal benefit.

Many low-income families with children who get most of their income from salaries or wages would get very modest increases in benefits under the Canada Child Tax Benefit. However, low-income families on welfare would see any increases clawed back by provincial and territorial governments, and the money clawed back would be "reinvested" in programs for low-wage families with children.

The National Council of Welfare questioned the clawback strategy in a 1997 report entitled Child Benefits: A Small Step Forward. The Council and most other social policy groups urged the federal government to make a more substantial commitment to fighting child and family poverty. The promise of \$850 million as a "downpayment" on a new child benefit was dwarfed by the billions of dollars taken out of social programs by successive federal governments in recent years. The Speech from the Throne that opened the 1997 session of Parliament promised an additional \$850 million a year sometime during the course of the government's current mandate.

All in all, the cuts in welfare outlined in the chapters that follow should come as no surprise. Given the state of the economy at the start of the decade, the cuts in spending by all levels of government, the loss of national standards for welfare, and a general withdrawal of the federal government from many areas of social policy, the people who depend on welfare to make ends meet were facing even tougher times.

NEWFOUNDLAND

Governments of Newfoundland have long dreamed about sweeping reforms of the welfare system, and they have long seen their dreams dashed by economic realities.

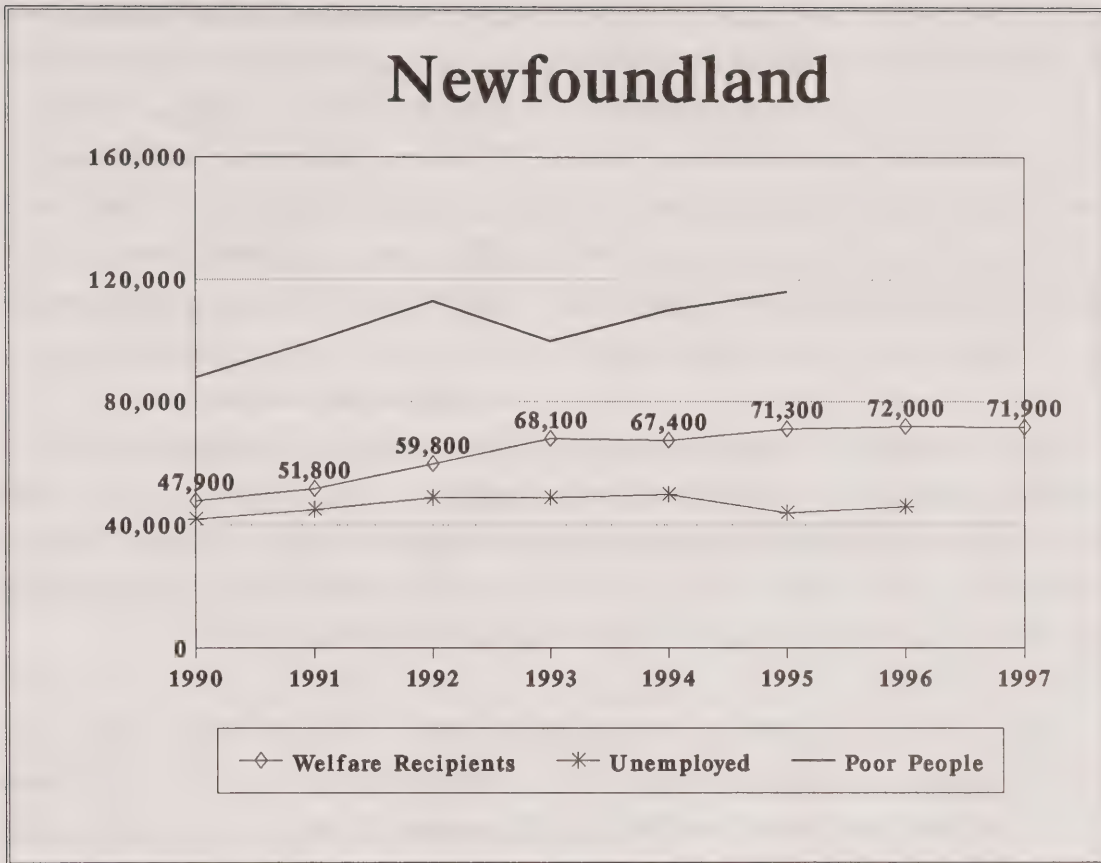
The realities of the 1990s were especially harsh. The province struggled through the recession of 1990-91. Cuts in unemployment insurance hit the province disproportionately hard, because so many Newfoundlanders relied on UI on a regular basis. But the harshest reality of all was the closure of the cod fishery on July 2, 1992.

Overfishing and poor management of international fish quotas had resulted in dangerously low numbers of northern cod on the Grand Bank along Newfoundland's northeastern coast. Stocks of other groundfish or bottom-feeders were also depleted. More than 30,000 people were directly displaced in Newfoundland because of the groundfish moratorium.

Billions of dollars have been paid out by the federal government since 1992 under the Northern Cod Adjustment and Recovery Plan, the Atlantic Groundfish Adjustment Program and the Atlantic Groundfish Strategy. The number of fishermen and processing plant workers qualifying for benefits under these programs was much higher than expected. More than 40,000 people from the Atlantic provinces and Quebec were eligible, compared with the original estimate of 26,500.

The moratorium was initially for two years, to see how fish stocks would improve. By 1997, fish stocks were just starting to improve, and limited groundfishing was allowed.

In 1996, the unemployment rate in Newfoundland was double the national average and the highest of any province. From March 1990 to March 1996, the number of people on welfare jumped from 47,900 to 72,000. Nearly 20 percent of the population of Newfoundland depended on welfare at some point in 1996.



In the first half of the 1990s, welfare reforms in Newfoundland were less harsh than in some other provinces. However, they did follow a common pattern: rate freezes, cuts in special assistance and increased efforts to control abuse.

Basic welfare rates were last increased in April 1992, and welfare incomes have been losing ground to inflation since that time. The National Council of Welfare report Welfare Incomes 1995 shows that the purchasing power of welfare households in Newfoundland has dropped slowly but steadily since 1992.

In 1991, there were actually a few improvements in special assistance coverage: a new province-wide winter fuel supplement, a \$55 monthly supplement for single parents, and modest increases in special allowances for medical diets, funeral expenses and housekeeping services.

In 1992, the government froze its home support budget for disabled people on welfare. Special transportation allowances were cut in three consecutive budgets starting in 1993. The 1994 budget froze grants to social agencies at a time when social and economic difficulties were driving up demand for social services. In the 1995 budget, allowances for furniture were cut and the province stopped paying arrears in welfare recipients' electricity bills. The 1996 budget cut furniture and household equipment budgets by 50 percent, and it made room and board the rule for all single employable people on welfare. Since then, the government pays them separate shelter allowances only in exceptional cases.

The Department of Social Services hired 13 investigators in October 1993 to control abuse and recover money in cases of fraud. Savings to March 1994 were \$2.5 million or slightly more than one percent of the province's annual welfare budget of about \$200 million. The opposition social services critic in the House of Assembly said the investigators were actually turning up mistakes made by overworked and overstressed staff.³

The province hired five more fraud investigators as a result of its 1994 budget and another ten after the 1996 budget. In May 1996, the Department of Social Services announced that its investigators had looked into almost 1,400 cases in the previous year. They found 113 cases serious enough to investigate further.⁴

Newfoundland's current hopes for welfare reform are contained in its Strategic Social Plan Consultation Paper published in June 1996. When the government released the paper, it also announced the creation of the Social Policy Advisory Committee, an independent group to conduct a public consultation on social reforms in Newfoundland.

The Strategic Social Plan Consultation Paper looked at a wide range of human services from health care and education to justice and social services. On the issue of welfare reform, the paper drew heavily on the work of the Newfoundland Royal Commission on Employment and Unemployment. The Commission's 1986 report, Building on Our Strengths, had called for extensive reforms to income security and unemployment insurance. In December 1993, the same group, now called the Economic Recovery Commission, recommended largely replacing both programs with a new Income Supplementation Program made up of two elements:

- A Basic Income Supplement of \$3,000 a year for an adult and \$1,500 for a child in all households with no income. Youths 18 to 24 years of age would receive \$1,500 a year if living at home or \$2,000 a year if living on their own.
- A Work Supplement equal to 20 percent of individual earnings between \$500 and \$10,500 for low-income people from 20 to 65 years of age. The maximum Work Supplement would be \$2,000 a year. The maximum would drop by 40 percent for family income in excess of \$15,000 a year.

The Economic Recovery Commission's 1993 proposals also included a new support program called the Educational Supplement. It would provide an additional subsidy for participation in post-secondary education or training, including adult academic upgrading at the secondary school level, for up to four years.

Once the new system was in place, unemployment insurance would revert to being an insurance program. It would be more difficult to qualify, and benefit periods would be shorter than under the existing system. Welfare would provide social services or top up the Basic Income Supplement for households with special needs.

The Income Supplementation Program would involve a significant redesign of federal assistance to unemployed workers. Provincial officials started discussions with their federal counterparts early in 1994 to see if federal funding was possible. Ottawa put up \$400,000 for a joint study by officials of the two governments.

Despite all the studying and negotiating, the plan did not lead to any concrete federal action. Federal cuts in transfer payments to the provinces and reduced levels of support for unemployed workers put the brakes on welfare reform even before it even got started.

The Social Policy Advisory Committee released its final report in April 1997. It recommended more government spending in areas such as job creation, day care and child nutrition. At the news conference announcing the report's release, the Premier said his government would review the recommendations and produce a final blueprint for welfare reform in Newfoundland by the end of 1997.⁵ There was no price tag on the proposed reforms, but it appears unlikely that the province will be able to afford expensive new initiatives. In March

1997, a month before the final report was released, the provincial budget called for spending cuts of \$355 million over the next three years.

The provincial government and the Social Policy Advisory Committee cling to their vision of progressive welfare reform. But there is still no indication that Ottawa is prepared to offer Newfoundland the financial support it needs to make that vision a reality.

PRINCE EDWARD ISLAND

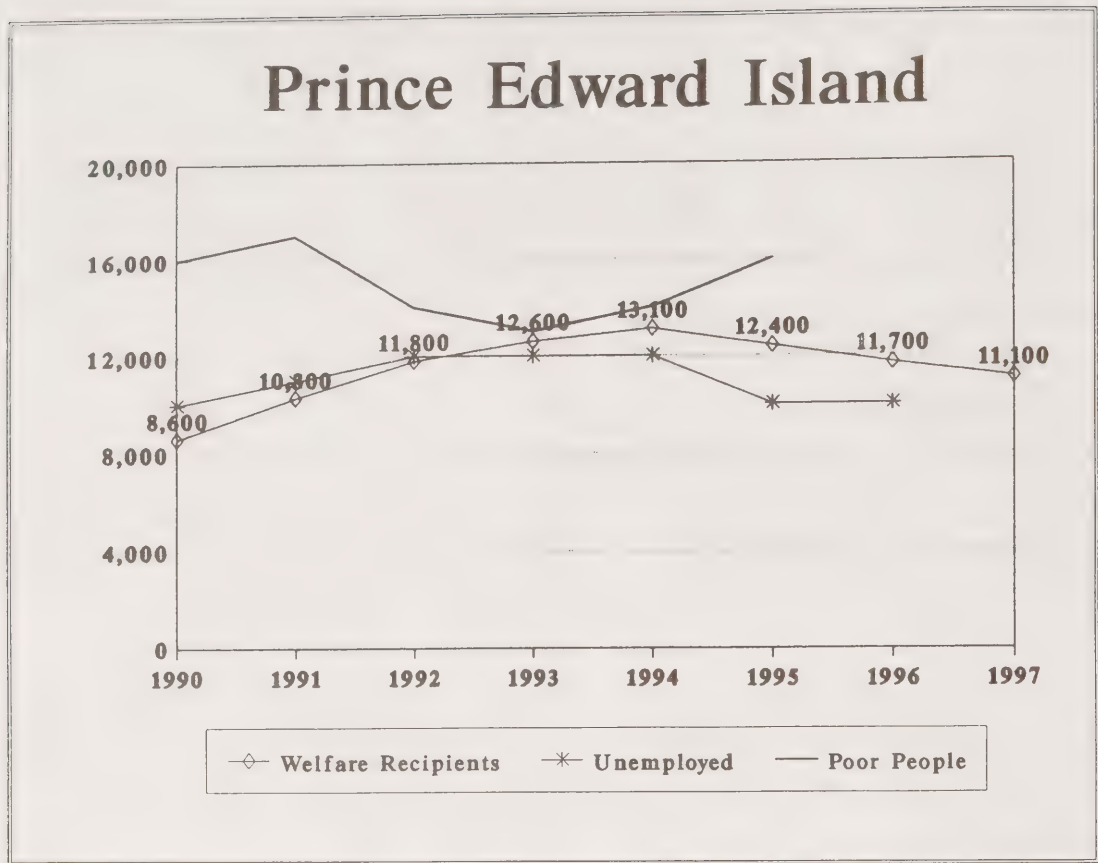
Prince Edward Island entered the 1990s with a series of improvements that made the province's welfare system one of the most progressive in Canada. All that changed in 1993, however, with the first of a series of freezes and cuts that reduced welfare entitlements noticeably over the next several years.

The improvements at the beginning of the decade arose from a report on the welfare system entitled Dignity, Security and Opportunity that was released early in 1989. Within two months, the province raised benefit levels, introduced new special allowances, and improved supplements for school-related expenses and for disabled people living at home. The reforms continued with further rate increases in the summer of 1991 and 1992.

A general slowdown in the economy and the closing of Canadian Forces Base Summerside in 1992 increased dependency on unemployment insurance and welfare during the early 1990s. The number of people on welfare jumped from 8,600 in March 1990 to 13,100 in March 1994.

Welfare rates were frozen in 1993 and cut twice in the following years. The result was a significant drop in purchasing power for all categories of welfare recipients. From 1992 through 1995, the losses in provincial benefits amounted to \$2,568 a year for a single employable person, \$542 for a disabled person, \$815 for a single parent with one child, and \$1,125 for a couple with two children. Further cuts in shelter allowances in 1996 have added to the hardships of people on welfare.

Shortly after its re-election in January 1993, the provincial government started restructuring health and social services. In March 1993, it released a three-year plan to get its finances in order. Part of the plan involved the transfer of the welfare program to the Health and Community Services Agency, which was created in October 1993. Along with new regional boards and a provincial council, the agency started running the day-to-day welfare operations.



On May 18, 1994, the province announced three changes in policy aimed at decreasing spending on welfare by \$2.5 million during the 1994-95 fiscal year.

- The maximum monthly shelter allowance for single people was reduced in June 1994 for new welfare recipients, from \$480 to \$305 in Charlottetown and from \$410 to \$260 in rural areas, except for people with special housing needs. For single people already on welfare, the cuts took effect in September.
- Special assistance for transportation for medical, employment-related and day care needs was tightened. The provincial Auditor-General's report for 1994 said the province was too generous, because welfare recipients often got the maximum \$25 monthly allowance for medical transportation whether they needed the money for medical reasons or not.

- As of July 1994, income from the federal GST credit was no longer exempt in the calculation of welfare entitlements. That meant a dollar-for-dollar reduction in welfare benefits for all households on welfare. For a family with two children, it translated into a drop of \$608 in their income for the year.

Between March 1994 and March 1996, the number of people on welfare in the province dropped from 13,100 to 11,700. The 1994 cuts probably contributed to the decrease, but the number of unemployed people also fell during the period. According to the March 1995 provincial budget, the economy of Prince Edward Island continued to make a strong recovery after leading the Atlantic provinces in growth in 1994.

In April 1996, the province standardized its maximum shelter allowances for welfare recipients by cutting shelter allowances in Charlottetown. The new maximum shelter allowances were \$260 for a single person, \$520 for a single parent with one child and \$660 for two adults and two children. The old shelter allowance levels for the same households were \$305, \$610 and \$770, respectively.

The Conservatives won the provincial election of November 18, 1996. The party had promised a review of the way the welfare system treated income from the federal GST credit as part of its election platform. In the 1997 budget speech, the government announced that the GST credit would once again be considered exempt income and would not trigger reductions in welfare incomes after June 1, 1997.

NOVA SCOTIA

Nova Scotia finally started unifying its two-tier welfare system as the decade of the 1990s reached the halfway mark.

Long after other provinces had unified their welfare programs under the Canada Assistance Plan in the late 1960s and early 1970s, Nova Scotia, Ontario and Manitoba kept their two-tier systems. In Nova Scotia, there is a provincial welfare program called Family Benefits for long-term recipients, such as people with disabilities and single-parent families, and municipal welfare for other people in need, mainly able-bodied unemployed people and their families. Until recently, each of Nova Scotia's 66 municipalities ran its own welfare program.

Family Benefits are paid entirely by the province, and the same eligibility rules apply everywhere in Nova Scotia. For able-bodied applicants on municipal welfare, benefits are more or less generous and the treatment of recipients more or less fair, depending on each municipality's views about welfare and its spending priorities. Traditionally, the province paid 75 percent of municipal welfare costs in most communities and up to 93 percent in smaller communities. Municipal property taxes had to cover the rest.

The Canada Assistance Plan reimbursed the province for half of the total cost of welfare, including both provincial Family Benefits and municipal welfare. In April 1996, the Canada Assistance Plan was replaced by the Canada Health and Social Transfer.

During the 1980s, a number of provincial and municipal task forces and commissions had revealed serious problems in the two-tier system. The same shortcomings kept resurfacing: the inadequacy of welfare rates and the absence of province-wide minimum standards for assistance. Despite the repeated calls for action, however, nothing was done to move to a one-tier welfare system. The major stumbling block was money. Municipalities feared that the province would saddle them with other costs in exchange for relieving them of municipal welfare.

It was only in July 1995 that the province made the first move to eliminate the two-tier system when it announced that it was taking over welfare in Cape Breton. When the province

integrated social assistance throughout the region, over 3,500 new households were added to the provincial caseload at an additional cost of \$16.5 million to the province.

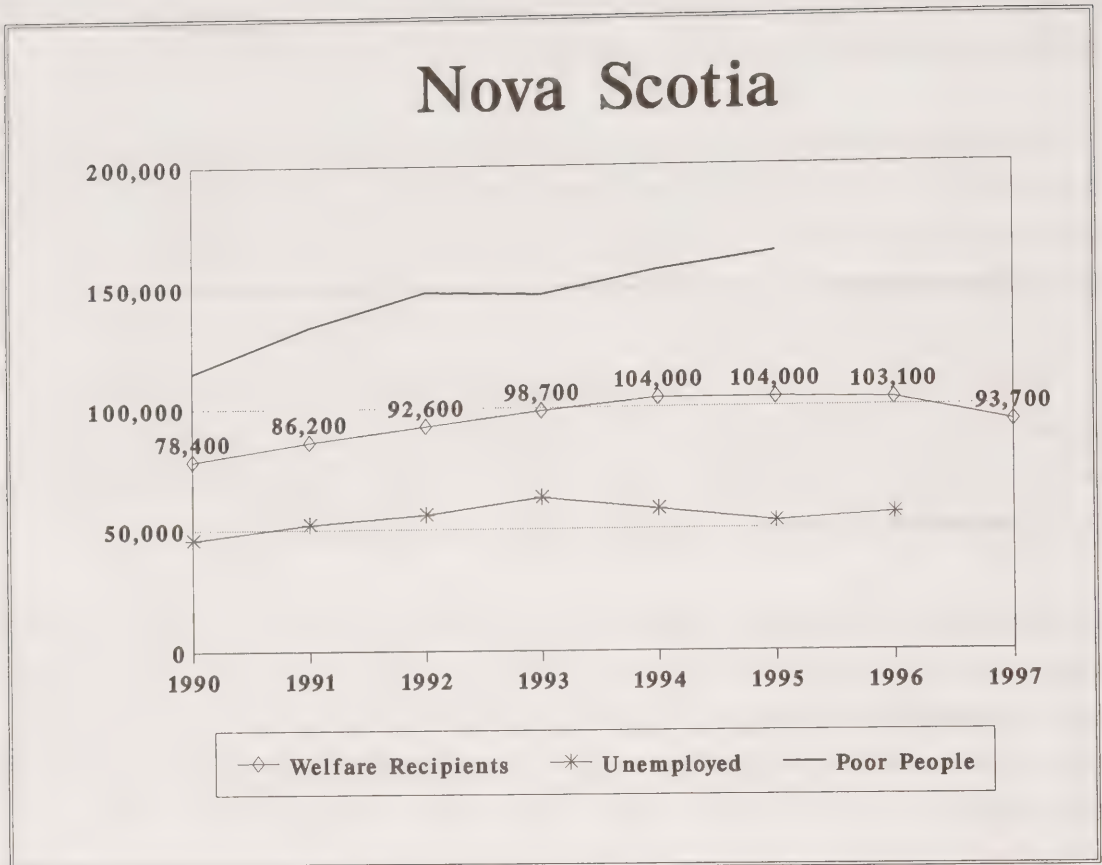
The province did not impose any new obligations on Cape Breton municipalities to offset the \$16.5 million because the region was in dire economic straits. In the months that followed, the province was criticized by a number of municipalities for not extending the same offer to other disadvantaged areas.

Also in July 1995, the province changed the funding formula for calculating its share of municipal welfare costs. Under the new plan, provincial spending on municipal welfare was capped at the previous year's level. Halifax reported a \$1.2 million shortfall in its budget for the 1995-96 year because of the spending cap, and Dartmouth lost \$1.4 million.

Annapolis County municipalities reacted to the freeze by reducing welfare benefits by 20 percent, cutting off special assistance for prescription drugs and wheelchairs, and deducting the value of the federal government's Child Tax Benefit from welfare cheques dollar for dollar. The deduction was unprecedented and led to huge declines in the welfare entitlements of families with children.

One-tier welfare came to the Halifax area early in 1996. Nova Scotia reached an agreement with Halifax Regional Council concerning the provincial takeover of welfare in February. Two months later, the province increased food allowances in the region by \$25 to \$40 a month for families with children, the first real increase in welfare benefits in four years. At the same time, it reduced maximum shelter allowances for single people from \$350 to \$225 monthly, but only for recipients who went on welfare in April or later.

The shelter allowance cuts meant more homelessness and more despair, according to a coalition of community groups. About a dozen groups working directly with poor people criticized the cuts in the shelter allowance. They suggested that people in Halifax had better get used to seeing more people sleeping in doorways and lining up at social agencies for help.⁶



Provincial officials discussed the takeover of welfare with the rest of the municipalities for a number of months. On April 11, 1997, the Minister of Community Services announced that the provincial government and the Union of Nova Scotia Municipalities had reached a financial agreement to unify the two-tier welfare system. The unification of the two systems would not cost municipalities any more than the \$42.8 million they were currently paying each year in welfare costs. The new single-tier system would be the first step in the consolidation of federal, provincial and municipal support programs by 1998-99.

Provincial welfare rates under the Family Benefits program were raised twice in 1991, then frozen until 1994. The 1994 rates remained unchanged through 1995 and 1996. In Halifax, basic rates remained frozen from 1992 until the spring of 1996, when the province took over the welfare system.

From March 1990 to March 1994, unemployment pushed the number of people on the welfare rolls from 78,400 to 104,000. The caseload was still 104,000 in March 1995, although many households moved on and off welfare during the year. The number of people on welfare dropped marginally to 103,100 by March 1996, and it dropped significantly to 93,700 by March 1997.

The budget brought down on April 29, 1994, included a publication entitled Government by Design. The guide was a plan to arrive at a balanced budget by 1997 and included a number of cutbacks in the Department of Community Services: staff reductions, cuts in prescription drug subsidies, a province-wide eligibility review, and shelter allowance reductions for disabled welfare recipients living with their families.

On October 4, 1996, the province announced a series of measures aimed at meeting the increasing demands on its services while staying within budget. The measures included beefing up the recovery of welfare overpayments and tightening up initial and continuing eligibility reviews. Thirteen new workers were hired to improve early detection of overpayments and fraud. The cost to parents of subsidized child care went up 50 cents a day. About 300 disabled welfare recipients who were also receiving Canada Pension Plan survivors' benefits saw their welfare cheques decrease by \$164 a month on average.

The Nova Scotia Advisory Council on the Status of Women told the Commons Finance Committee in November 1996 that federal and provincial efforts to reduce government deficits were having adverse effects on the province's poor. University tuition fees were rising dramatically, reducing access to education for single-parent mothers. Student aid to mothers on welfare was down. Shelter allowances for single employable women and men on welfare in the Halifax area were only \$225 a month, an amount clearly insufficient to meet basic needs. Funding for social agencies, including transition houses and women's centres, had been cut.⁷

The November 1996 issue of Women's Writes, the newsletter of the Nova Scotia Advisory Council on the Status of Women, raised concerns about plans for promoting self-sufficiency for single-parent mothers. The Council was worried the changes would lead to less flexibility in the welfare application process, lower benefits, automatic reclassification for single mothers as employable unless they could prove otherwise, fewer and less adequate services like child care and training, and little or no funding for transition houses and women's centres.

On April 17, 1997, the province tabled its first balanced budget in 20 years. Two weeks later, a social advocate with the Halifax Metro Food Bank Society gave the Nova Scotia government a failing grade in the area of social responsibility. The tide may have turned for some, she said, but not for others who were still struggling to stay afloat.⁸

NEW BRUNSWICK

Welfare reform has long been linked to employability programming in New Brunswick, and there were major new initiatives in both fields during the 1990s. Comprehensive welfare reform dates back to the 1991 Speech from the Throne and ultimately led to the Family Income Security Act of 1995. Efforts to get welfare recipients into paying jobs were highlighted by new initiatives that were undertaken with the help of the federal government.

Prior to the major reforms of 1995, there were a number of smaller changes in welfare policy.

The Assistance for the Reduction of Rental Costs program stopped accepting new applications in 1992. The program had provided up to \$150 a month for a single elderly or disabled person and up to \$169 for a couple with disproportionately high shelter costs. In its heyday in March 1987, the program assisted almost 1,800 households at a cost of \$1.3 million a year. By 1995-96, there were only 38 seniors and 234 people with disabilities left in the program, at a cost to the province of less than \$300,000.

In April 1993, New Brunswick signed an agreement with the federal government to have welfare benefits that were paid to people during waiting periods for unemployment insurance deducted directly from their subsequent UI cheques.

In the summer of 1993, basic welfare rates were decreased for blind and disabled welfare recipients living in the homes of their parents where the parents were not on welfare and family income was more than \$30,000 a year.

Since April 1994, social assistance applicants and recipients 60 to 65 years of age are required to apply for Canada Pension Plan early retirement benefits. For many, this means a lower income, and a lower standard of living, for the rest of their lives.

In the summer of 1994, the province created the Income Supplement Benefit program, a shelter subsidy for low-income families with children paying more than 30 percent of their welfare cheques for shelter. For eligible families, this meant a maximum annual payment of

\$900 for 1995, although many of these families had been receiving a heating supplement of up to \$420 which the Income Supplement Benefit replaced.

During 1992, the federal and New Brunswick governments announced two pilot projects aimed at getting people off welfare and into jobs: New Brunswick Works and the Self-Sufficiency Project.

N.B. Works provides a continuum of work experience and training lasting up to four years for welfare recipients with children, most of them single parents. The 1995-96 annual report said about 1,000 of the 2,900 people who entered the program no longer rely on welfare and another 790 people are still in the program. The overall cost to the federal and provincial governments over the full six years of the pilot project is estimated to be \$134 million or an average of \$46,000 for each participant.

Social advocates have criticized N.B. Works for the high cost of the program and for choosing the most employable welfare recipients to participate - people who were most likely to find work in the absence of the program. Critics also questioned how many N.B. Works graduates would find decent jobs as long as unemployment remains high.⁹

The province maintains that participants were chosen not because they were the most likely to succeed, but because they were the most likely to have been long-term welfare recipients in the absence of an intervention.

The Self-Sufficiency Project offered earnings supplements to single parents on welfare in New Brunswick and also in British Columbia. The three-year project involved some 3,000 welfare households in New Brunswick: 1,500 in a control group receiving no benefits and 1,500 in a wage supplementation program. The program paid half the difference between a participant's actual salary and a "target" income of \$30,000 in New Brunswick. The target income in British Columbia was higher because of the higher cost of living. For people earning between the minimum wage and \$8 an hour, the program has the effect of roughly doubling their earnings.

An assessment done in the fifth quarter after enrolment showed that more people in the program group were working full-time and fewer people were receiving welfare than people in

the control group. The average income from all sources for people in the program group was \$1,238 a month, compared to average income of \$1,007 a month for people in the control group.

The key question still to be answered, however, is what will happen to participants once the earnings supplements end after three years.¹⁰

Another job initiative was the N.B. Job Corps, announced in March 1994 and designed to provide displaced older workers with job opportunities in development projects. Unemployed workers 50 to 65 years of age are guaranteed work placements of 26 weeks a year for three years at a salary of \$12,000 a year. The program is to run from 1994-95 to 1998-99 and will cost \$80 million, shared equally by the federal and provincial governments.

New Brunswick started taking another look at the welfare system in 1991, and the formal process of welfare reform began at the end of 1993 with the release of a discussion paper entitled Creating New Options.

The paper was characterized by critics of the government as a return to the Elizabethan Poor Laws. An article in the Canadian Review of Social Policy put it this way: "Through its policies of retrenchment and cutbacks, along with the lowest rates of welfare in the country, this government has pushed its responsibility down onto local communities to look after its poor by using such degrading charitable devices as soup kitchens, food banks, emergency shelters and clothing depots."¹¹

Following public and private consultations, the province released another paper entitled From Options to Actions: A New Social Assistance Policy Blueprint in the fall of 1994. The paper set forth a number of principles as the foundation of welfare policy in New Brunswick:

- better harmonization of income support and human resource development;
- recognition that attainment of self-sufficiency can be a long and complex process and that people making the transition to work should be supported by government;

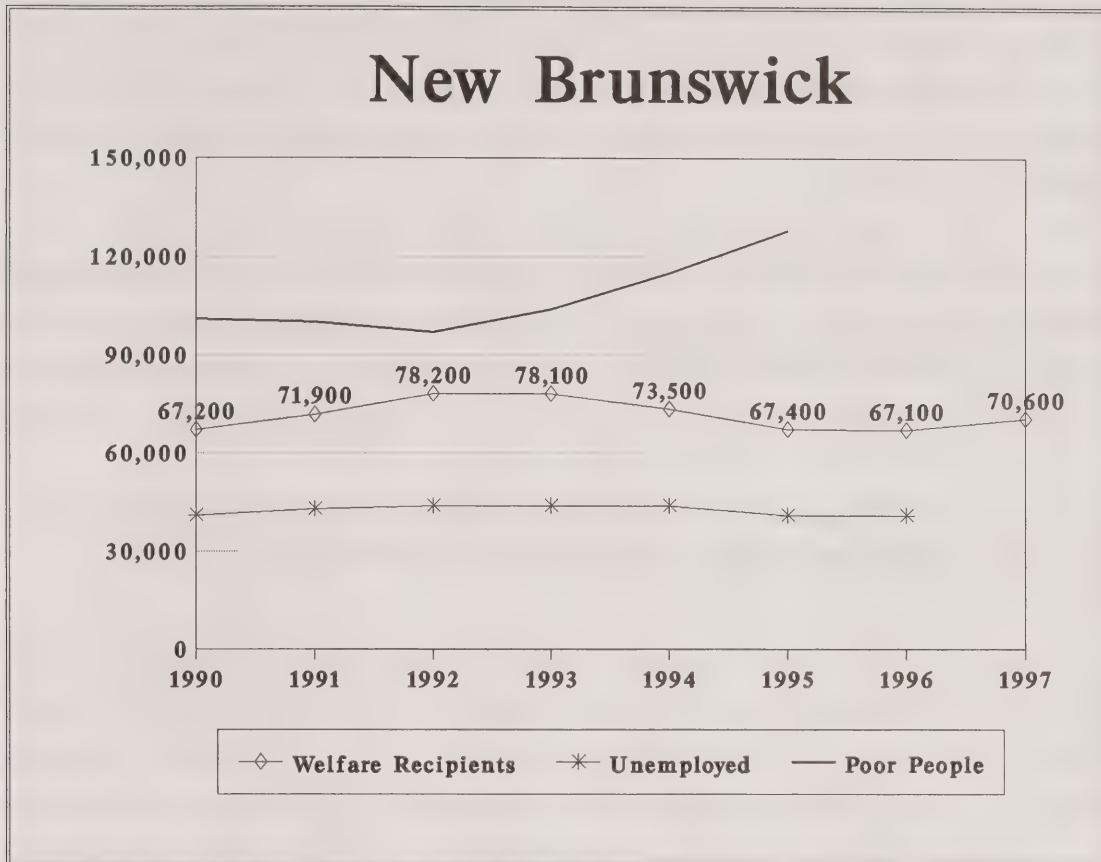
- recognition of the primary role of families and community in supporting each other in meeting financial and social needs;
- simplification of income support rules and greater flexibility;
- affordability; and
- income support that amounted to less than the "financial and non-financial rewards" from work.

Adequacy of welfare rates was conspicuously absent from the list, despite widespread concerns during the consultation process about the province's chronically and abysmally low welfare rates. New Brunswick's rates for all categories of recipients have long been the lowest or among the lowest in Canada, according to calculations by the National Council of Welfare.

From Options to Actions proposed a broad range of welfare reforms affecting the disabled, families with children, and youth. Most of the changes are contained in the Family Income Security Act, which replaced the previous welfare law, the Social Welfare Act, on May 1, 1995. Other changes were implemented in the summer and fall of 1995 through regulations, operational policy amendments and other legislative changes.

The new welfare regime supports the efforts of recipients making the transition to work or involved in training or education. A case management approach assists recipients toward their own career goals and aspirations. Depending on the individual case plan, a recipient may be offered a wide range of services, from basic assistance to extended health benefits, wage exemptions and social services.

As of September 1995, welfare applicants under 21 and living independently have to attend school or participate in some other form of upgrading or development. Single recipients who make an effort to upgrade their skills see an increase in monthly benefits from \$260 to \$300, while those who refuse suffer a gigantic drop from \$260 to \$50 a month. Single parents under 18 who participate receive \$700 a month, and those who do not participate get \$300.



Young people 16 through 18 would not normally qualify for welfare on their own unless welfare workers determined that the parental home was not a suitable place to live. When young people live on their own, the province tries to recoup some of the cost under the Family Support Orders Service.

The province had proposed in From Options to Action to seek family support for a single parent under 19 on welfare from the non-custodial parent and both sets of grandparents of the child. However, the proposal with respect to grandparents was not implemented.

Extended earnings exemptions and special exemptions for newly self-employed recipients came into effect in September 1995. The extended wage exemption allows recipients with dependents a flat-rate exemption of their first \$200 a month in earnings. They also get to keep 35 percent of any income they earn beyond \$200 a month during the first six months of work

and up to 30 percent of any additional earnings during the second six months. The exemption for a single person is \$150 a month plus 30 percent of additional earnings for the first six months and 25 percent for the second six months. Finally, welfare recipients who set up their own businesses enjoy a 100 percent exemption on the income they generate for three months to help them get established.

Also included in the welfare reform package are supplemental health benefits similar to those offered by many employers. When a welfare recipient finds a job that does not offer a health plan, the province provides coverage for up to one year on a cost-shared basis with the recipient. The Extended Health Benefits program started in September 1995.

In May 1995, the government expanded the day care assistance program to cover welfare recipients in smaller communities.

A package of welfare reforms was introduced in May 1995 for people with disabilities. A \$75,000 trust fund may be established by the family of a disabled person to assist with disability-related costs and to help the person to remain in his or her home and community. A trust fund can also be used to provide income for people with disabilities who outlive their parents. Disabled welfare recipients can share accommodations without having their benefits reduced. Following a review of the Vocational Rehabilitation of Disabled Persons program in 1995, the program was revamped in 1996, with the goal of designing a more effective service and improving methods of delivery.

Disabled recipients also saw asset exemption levels tripled from \$1,000 to \$3,000 in May 1995. The change meant that disabled people on welfare could keep more money in a contingency fund for emergency or unexpected expenses, like uninsured health costs. The asset exemption level was doubled at the same time for non-disabled recipients to \$1,000 for a single person and \$2,000 for a family.

On the administrative side of the welfare system, the province hired the Canadian subsidiary of U.S.-based Andersen Consulting late in 1994 to help overhaul the way welfare is administered and to upgrade the welfare program's computer technology. The province estimated that it would save some \$80 million over five years less the \$16 million for Andersen's fees and the \$3 million or \$4 million for the new technology.

In July 1995, the province announced that welfare caseloads had decreased to their lowest levels since September 1990. The Minister pointed to a drop in the number of single employable recipients, who were required to pick up their welfare cheques in person the previous two months.¹²

The income security appeal process was overhauled in November 1995. The most significant changes were a new provision allowing former welfare recipients to become Appeal Board members and the elimination of the possibility of appeal on matters relating to special assistance. The limitation on appeals is unlikely to be challenged now that the Canada Assistance Plan is no longer in force.

Late in 1996, New Brunswick appeared to soften its approach to welfare reform. The budget speech of December 10, 1996, forecast budget surpluses and declining unemployment for years to come. Among the measures in the budget speech were a provincial Child Tax Benefit and Working Income Supplement. The Child Tax Benefit will pay an estimated 50,000 low-income families up to \$250 a year for each child. Benefits are reduced when net family income tops \$20,000 a year. The Working Income Supplement will pay up to \$250 a year to low-income families with children and earned income of between \$3,750 and \$25,921 a year. The two programs are expected to cost the province \$25 million a year when they are in full force. The first cheques under the programs went out in October 1997.

The budget also announced a two percent increase in welfare rates for unemployable single people and childless couples as of April 1997. The increase affects 18,000 welfare households. The budget also increased the monthly earnings exemption for about 3,000 people in the Interim Assistance Program by \$50 a month. The cost of both the rate increase and the selective exemption increase was estimated at \$2 million a year.

QUEBEC

Quebec made sweeping changes in its welfare system in 1989 and 1990, changes that many people thought would last for years to come. Instead, there was one series of changes after another from 1993 onward, and still another overhaul of the system was in progress in 1997.

The welfare reforms of 1989 and 1990 were embodied in new legislation entitled An Act Respecting Income Security. The act replaced the old Social Aid Act with two new programs: the Financial Support Program for people with severe disabilities and the Work and Employment Incentives Program for everyone else. The legislation also created the Parental Wage Assistance Program for low-income families with children to replace the Work Income Supplement Program.

The Financial Support Program is for single adults or adults living in families who have physical or mental conditions that severely limit their ability to work. A disabling condition has to be long-term or permanent and must be verified by a doctor. Benefit levels for the Financial Support Program were set higher than they would have been under the old Social Aid Program. The previous system of indexing benefits every year to increases in the cost of living was to continue.

The Work and Employment Incentives Program assists people who are considered able to work. The definition of employable in Quebec is considerably broader than in most other provinces. The employable category includes single parents regardless of the age or number of children, people aged 55 through 64, and people suffering from short-term physical or mental problems. About a third of the employable caseload is exempt from job search or training requirements.

The levels of assistance in the Work and Employment Incentives Program were designed to vary according to the willingness and the ability of recipients to take part in employability enhancement programs: vocational training, job search assistance, academic upgrading, work in community agencies or subsidized employment. Recipients were classified into one of four categories: not participating, available, not available and participating.

The category with the lowest rates is not participating. It applies to recipients who choose not to take part in employability enhancement programs or withdraw from a program.

The next lowest benefit was the available category, applied to employable people who expressed a formal interest in an employment program but for whom no appropriate measure was available. The category was dropped in April 1996.

Recipients in the second highest group, the unavailable category, are those considered temporarily unable to work. This category includes people with physical or mental conditions that keep them out of the job market for at least one month, women between the 20th week of pregnancy and the fifth week after giving birth, parents with children below school age, people who care for dependents with physical or mental disabilities, and people over 55 years of age.

The highest benefits under the Work and Employment Incentives Program go to people in the participating category: those who are participating in an employability enhancement program.

The Work and Employment Incentives Program introduced two controversial new concepts to welfare in Quebec. The first was a rate reduction for separate households, both single people and families, sharing accommodation. Under the old rules, rates were cut by \$85 a month when a welfare recipient shared accommodation with a relative, whether or not the relative was on welfare. After reform, the cuts generally applied to an employable person sharing a house or apartment with someone else on welfare. Welfare recipients sharing accommodation with severely disabled people who require constant care were exempt from the cuts. The maximum monthly reduction as of 1997 was \$104.

Nearly 107,000 of the 350,000 employable households on welfare as of June 1997 had their cheques cut because of the shared accommodation rule.

The second controversial change was the introduction of a parental contribution, a first in Canada. The province invoked section 633 of the Quebec Civil Code, which states that adults 18 years of age and over who have not yet declared their independence are considered dependent on their parents, and the parents are required to contribute support and maintenance. Where an applicant has not attained independence, that person's welfare cheque is cut for up to three years

by an amount the government feels the parents should be contributing. The amount is set by regulation, and it varies according to the parents' income and the size of the family. There is no upper age limit on the rule.

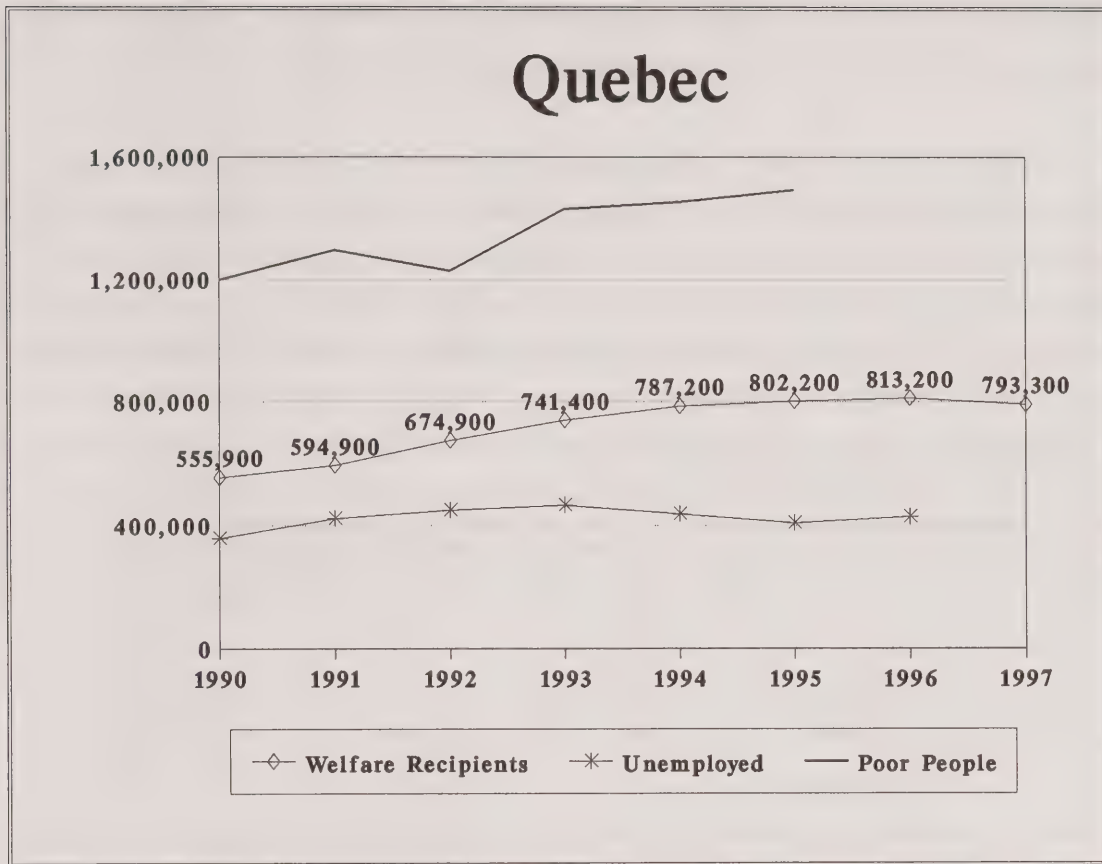
As of October 1996, about 6,300 people received lower welfare cheques because of the parental contribution rule.

In addition to the Financial Support Program and the Work and Employment Incentives Program, the reforms of 1989 and 1990 launched the Parental Wage Assistance Program for low-income families with children, retroactive to the 1988 tax year. The Parental Wage Assistance Program offered an earnings supplement, a shelter subsidy for families with high shelter costs, and partial reimbursement of day care costs.

While the dust was still settling on these changes, the economy went into a recession. The average number of unemployed people in Quebec rose from 359,000 in 1990 to 467,000 in 1993. The welfare numbers also shot up, from 555,900 welfare recipients in March 1990 to 741,400 in March 1993. The welfare numbers kept rising even after the job market improved in 1994.

Early in 1993, the Quebec government hired more "verifying agents." The government had the public's support when it clamped down on fraud and abuse in the system, according to public opinion polls. Some 80 percent of those polled were in favour of surprise home visits.

A study by researchers at Laval University took issue with claims that the verifying agents were saving the province large sums of money. The government said it would save about \$86 million in the 1993-94 fiscal year because of the home visits. Based on their review of available statistics, the authors of the study suggested that the real amount recovered by the welfare agents because of abuse was considerably lower. They suggested the government was pandering to the popularity of home visits with the public.¹³



Home visits were only part of the crackdown on welfare abuse. Other measures to discourage would-be abusers included mandatory cheque pick-ups for some targeted categories of recipients, more extensive case reviews and exchange of information on a larger scale with other agencies and other provinces. All of these controls were either started or expanded in 1993.

In the fall of 1993, welfare rates dropped by \$10 to \$30 for new households classified as not participating and available. Existing recipients had a one-year delay before their cheques were cut. Special allowances for air ambulance service and moving costs for single parents enrolled in post-secondary education went up. Welfare rates went up for families in shelters for victims of family violence. Coverage for non-insured health services was offered to single parents for up to six months after leaving welfare. Asset exemption levels went up by \$147 for each child in the household. Other types of assets, like special payments received by victims

of thalidomide, were declared totally exempt. The government started offering special incentives to welfare recipients who wanted to start their own businesses.

Also during 1993, the government decided that employable people just starting on welfare would not have priority to participate in employability measures for the first six months on assistance. The decision meant that new recipients might not be able to qualify for the higher benefits paid under the available and participating categories for six months. The new rule appeared contrary to the government's strategy of getting people off welfare and into jobs.

Meanwhile, Quebec was tightening up its remedial education program for people on welfare. The total number of available places dropped to 22,000 by 1994 from a high of 37,000 a few years earlier. The government said initial failure rates of around 60 percent had forced it to increase the standards for participation, so it started making new welfare recipients wait 24 months before they could participate. The previous waiting period was nine months. Social groups said that the government was focusing its efforts only on the most employable recipients at the expense of others.¹⁴

The government froze welfare rates for most employable households on welfare in 1994. It also froze benefit levels of the Parental Wage Assistance Program and allowances under the Family Assistance Allowances Act. The Family Assistance Allowances Act consolidates many financial assistance programs for families with children. They include provincial family allowances, and allowances for newborns, young children and handicapped children.

Recipients of the Financial Support Program were exempted from the freeze. There was also a modest rate increase at the same time for single parents who were either participating in an employability measure, waiting to participate, or at home with young children. In the spring of 1994, special allowances for nursing mothers went up and a new allowance for infant formula came into effect.

Most of the money saved through the cuts in the fall of 1993 served to cover the cost of the increases in March 1994. Of the 456,000 welfare households in Quebec at the time, the government estimated that 48 percent would see their benefits decrease, 32 percent would see them increase and the rest would see no change in their cheques.

In the spring of 1994, Quebec started requiring that welfare applicants and recipients between 60 and 65 apply for any early retirement benefits they could receive under the Quebec or Canada Pension Plans.

A provincial election was held in the summer of 1994, and the Parti Quebecois replaced the Liberals as the Government of Quebec. Within short order, the new Minister ended the cheque pick-up policy for employable people. Of the 200,000 people who had to pick up their cheques in person the previous year, she said, only three percent were found to have “serious intent to defraud the government.” However, the cheque pick-up policy was reinstated in 1996 for some 145,000 employable people. The exercise saved the government \$20 million when 4,000 people - three percent of the people subject to the requirement - did not pick up their cheques. The government news release did not mention whether any of the 4,000 were part of the normal turnover of people not collecting their cheques because they found jobs.

The new Minister also said the government was reviewing the welfare penalties for shared accommodation. The penalties had been the subject of an unsuccessful court challenge by welfare rights groups and a damning report by the provincial Ombudsman, both in 1994. As of 1997, the penalty for shared accommodation was still in effect.

The province’s May 1995 budget extended the freeze on government spending, including welfare, into 1996. Late in November 1995, the government announced a 2.3 percent increase in welfare benefits for permanently unemployable households on welfare starting in January 1996. The budget did not impose further welfare cuts and eligibility restrictions, despite rising caseloads and the federal announcement of reduced transfer payments for social programs under the new Canada Health and Social Transfer. Social advocacy groups felt that the government had suspended - or at least softened - welfare reforms to attract the welfare vote in the upcoming fall referendum on sovereignty for Quebec. The Parti Quebecois promise to protect the poor and maintain social programs was popular with unions, public sector employees and community groups.¹⁵

The Minister of Income Security announced an increase in the provincial minimum wage on June 4, 1995. That was when the March for Bread and Roses ended its province-wide rally for social justice on the grounds of the National Assembly. The march was organized by a coalition of 85 groups, representing women, unions, churches and community organizations.

About 15,000 people attended the rally to support demands for a higher provincial minimum wage, pay equity and more compassionate welfare reforms. The minimum wage in the province officially went up from \$6 an hour to \$6.45 as of October 1, 1995.

In August 1995, the federal government announced a commitment under the Strategic Initiatives Program to contribute over \$80 million over three years to Quebec for the Parental Wage Assistance Program and a Quebec high school certification program for single parents on welfare.

The initial take-up rate on the Parental Wage Assistance Program was disappointingly low. In its first year, 1988, the program helped about 18,000 families at a cost of about \$17.5 million. Almost 33,000 families received assistance in 1994 at a cost of about \$51 million. Preliminary figures showed that close to \$59 million was paid out to almost 37,000 households in 1995.

April 1996 marked a major effort by the provincial government to tighten up the welfare system. There were cuts in rates for many recipients. The penalty for not looking for a job or quitting one without a valid reason went up from \$100 to \$150 a month. The province started applying more pressure on immigrant sponsors who were not meeting their support obligations. And there were changes in liquid asset exemptions that almost guaranteed that people would have to spend their last dollar before becoming eligible for welfare.

Welfare recipients in Quebec had seen their incomes rise between 1990 and 1993. Between January 1993 and April 1996, there were increases for a few recipients, but losses for most of them. Table 2 on the next page shows the changes in detail for typical categories of recipients.

The people in the Financial Support Program, all of them long-term unemployable people, saw their monthly rates rise slightly. Most rates in the Work and Employment Incentives Program were lower. About 35,000 households in the participating category had their rates cut by \$30 a month in April 1996. The available category was wound up completely, and about 26,000 recipients were transferred to the lower-paying not participating category.

TABLE 2

**QUEBEC WELFARE RATES AND EARNINGS EXEMPTIONS
IN CURRENT DOLLARS, 1993 AND 1996**

Category	Family Size	Basic Monthly Rates		Monthly Earnings Exemptions	
Financial Support Program		January 1993	April 1996	January 1993	April 1996
	Single Adult	652	661	100	100
	One Parent, One Child	876	888	100	100
	One Parent, Two Children	989	1,009	100	113
	Childless Couple	956	987	100	100
	Couple, One Child	1,071	1,109	100	100
	Couple, Two Children	1,156	1,205	100	113
Work and Employment Incentives Program					
<u>Not Participating</u>	Single Adult	493	477	164	174
	One Parent, One Child	726	722	164	159
	One Parent, Two Children	846	843	164	168
	Childless Couple	762	738	199	211
	Couple, One Child	896	859	199	221
	Couple, Two Children	986	955	199	225
<u>Available</u>	Single Adult	563	Category Eliminated April 1996	94	Category Eliminated April 1996
	One Parent, One Child	796		94	
	One Parent, Two Children	916		94	
	Childless Couple	903		59	
	Couple, One Child	1,037		59	
	Couple, Two Children	1,127		59	
<u>Not Available</u>	Single Adult	594	577	63	74
	One Parent, One Child	809	822	82	60
	One Parent, Two Children	928	943	82	68
	Childless Couple	944	913	40	59
	Couple, One Child	1,020	1,034	76	47
	Couple, Two Children	1,104	1,130	82	51
<u>Participating</u>	Single Adult	609	597	94	100
	One Parent, One Child	843	842	94	86
	One Parent, Two Children	963	963	94	95
	Childless Couple	996	933	59	110
	Couple, One Child	1,130	1,054	59	120
	Couple, Two Children	1,221	1,150	59	125

The earnings exemptions in the table show how much money people could earn without having their welfare cheques reduced. The monthly rate and the earnings exemption added together show the amount of money the Quebec government felt was sufficient to cover the necessities of life.

As the province put the squeeze on welfare rates, the liquid asset exemption policy got meaner and more complicated. Under the old system, people could have \$1,500 to \$5,000 or more in cash or other liquid assets when they applied for welfare or while they were on welfare. As of April 1996, people already on welfare remained under the old system, but new applicants have to pass a two-step test. First, the applicant's liquid assets must be no more than the equivalent of one month's recognized household needs. If the applicant does not pass this test, the application is refused for the rest of the month. However, liquid assets excluded by regulation are not considered for the purpose of this evaluation.

Once this stage is cleared, the monthly benefit is set by taking account of needs pro-rated for the rest of the days left in the month. This amount is reduced by liquid assets which are not excluded by regulation except for cheques outstanding during the month that are intended for rent, electricity or heating.

Once an applicant has qualified for welfare, the asset exemption goes back up to its former level.

Table 3 on the next page summarizes the old and new liquid asset exemptions for a single person and a family of two parents and two children. Under the old system, a single employable person could have \$1,500 in liquid assets and still qualify for welfare.

As of April 1996, the person could have no more than \$689 in assets under the first step of the test. Most of the \$689 would be lost in the second step, and the person would start out on welfare with no savings to fall back on in an emergency. Bluntly put, the new policy was a policy that required people to be utterly destitute before they could receive welfare. And given Quebec's relatively low welfare rates, their prospects for saving any money at all in the foreseeable future were slim.

TABLE 3
LIQUID ASSET EXEMPTIONS FOR NEW WELFARE RECIPIENTS
(MONTH OF APPLICATION ONLY)

Family Type	Old System	April 1996
Employable:		
Single Person	\$1,500	\$689
Family of Four	\$2,794	\$1,316
Unemployable:		
Single Person	\$2,500	\$689
Family of Four	\$5,294	\$1,316

As of August 1996, adults in vocational high school programs no longer qualified for welfare. They were systematically referred to the provincial student assistance plan.

In March 1996, the expert advisory council on welfare reform appointed by the province the previous summer surprised everyone by submitting two blueprints for reform rather than one. The two blueprints came from the two principals of the advisory group: Pierre Fortin, professor of economics at the University of Quebec at Montreal, and Camil Bouchard, professor of psychology and the chair of a provincial task force on children and youth a few years earlier.

Fortin and Bouchard agreed that the alarming rise in welfare dependency in the 1990s was due largely to poor economic conditions. They both endorsed the idea of an "integrated" child benefit that would go to families with children on welfare and also to low-wage families with children. They recommended changes to the Parental Wage Assistance Program to maintain and improve incentives to get welfare recipients into the workforce. They agreed that federal and provincial child benefits should be merged into a children's allowance of \$3,000 per year. They recommended improvements to day care, including free day care for low-income working parents with children from six months to five years of age.

Where the two reports differed was in their overall approaches.

Fortin advocated a get-tough approach. He suggested cutting benefits for young people on welfare from \$6,000 to \$4,800 a year. He would cut off their benefits altogether if they refused job training, rather than just reducing their cheques by \$150 a month under the existing system. He came under fire from welfare advocacy groups for recommending that single mothers be required to look for work as a condition of eligibility, even though he wanted more supports like free day care and improved child benefits. Savings from welfare cuts to people under 25 would be redirected to social supports and improvements for participants, but the reforms would essentially be cost-neutral.

Bouchard favoured a more compassionate approach. He wanted the province to expand the Parental Wage Assistance Program to include all low-income workers, not just families with children, and to put more money into prevention programs and social supports. He had reservations about Fortin's views that young people on welfare should get lower benefits and that single mothers should have to look for work. He wanted the government to increase its welfare spending by \$93 million just to implement the first phase of his reform proposal. Fortin estimated that Bouchard's proposal to expand income supplementation could end up costing over \$500 million.

Given the cuts the government had already announced for April 1996, it was evident that Quebec had already chosen the path it would follow in welfare reform.

In March 1996, the same month that the two welfare reform reports made headlines, Quebec held a summit of business people, union leaders, social activists and government officials. They talked about the provincial deficit, social programs, and the polarization of the labour market into good jobs and bad jobs.

A poll published in Le Devoir showed 85 percent support for the deficit reduction program. Respondents also felt that everyone except the poorest should make sacrifices to save the province's social programs.

The provincial budget tabled two months after the summit, in May 1996, committed the government to a balanced budget by the year 2000. The government said it was anticipating that the number of welfare recipients - now topping the 800,000 mark - would rise by two percent in the year ahead because of the sluggish economy and cuts in federal assistance to the

unemployed. The budget forecast for unemployment was 11.5 percent in 1997, decreasing to only 11.3 percent by 1999.

On the other hand, funding for the Work Experience Program, an apprenticeship measure, dropped by 30 percent the same month the budget was tabled. Some welfare recipients who had been participating in an apprenticeship program saw their welfare benefits cut by \$30 a month in April 1996. A month later, their apprenticeship program was cut and they were back on welfare full-time, but with a further loss of \$120 a month in benefits because they were now classified as not participating.

Shelter assistance for recipients was cut in the budget. The special benefit payable to families with children and high shelter costs dropped from \$90 a month to \$60 a month as of September 1996.

The Quebec Federation of Workers accused the government of not respecting all of the terms of the summit agreement. The union said that the agreement called for a balanced budget, improvements to the economy and the protection of the safety net. The federation felt that the budget focused only on cutting the deficit.¹⁶

In June 1996, more than 10,000 people - mostly women and children - attended an anti-poverty rally at the National Assembly to mark the first anniversary of the March for Bread and Roses. The demonstrators were furious with the government for its assaults on the welfare system and for dithering on the issue of pay equity for women. On welfare reform, the group felt that the province had forgone compassion in favour of cost containment.¹⁷

The government had announced almost \$200 million in cuts in drug assistance when it tabled its 1996-97 spending estimates. Based on an expert advisory group headed by Claude Castonguay, the province created a new drug assistance plan to cover all low-income residents of Quebec. But welfare recipients and seniors receiving the federal Guaranteed Income Supplement would have to start paying a deductible and 25 percent of the cost of prescription drugs. At the time, welfare recipients and GIS pensioners were getting their drugs free.

The new provincial drug plan came into effect at the beginning of 1997. It was a compulsory plan for anyone who did not already have coverage through a private insurance

company or an employer. The total bill could be as little as \$200 a year or as much as \$925. The provincial Ombudsman pointed out that a full two-thirds of the savings to the province in 1996 and 1997 would come from the new charges levied on the poorest seniors and welfare recipients. The government refused to listen.

In response to widespread complaints, the government announced plans in October 1996 for a major expansion of subsidized child care, increased support for families with children and more generous parental leave after the birth of a child.

The government said it would offer kindergarten for five-year-olds in September 1997 and a half-day of day care plus a half-day of pre-kindergarten for children in disadvantaged areas of the province. Over the next six years, subsidized day care would be offered at minimal cost to all low-income parents in the province involved in work or training. Parents would be asked to pay \$5 a day per child to help offset the cost.

Quebec said it would start paying an integrated child benefit or "unified children's allowance" for children in all low-income families as of July 1997. The new allowance would be equal to all provincial family assistance allowances plus the children's portion of welfare. According to the news release announcing the measure, it would be available to some 222,000 families with incomes under \$25,000 a year - 190,000 families on welfare and 32,000 low-wage families. The new allowance would be in addition to the federal Child Tax Benefit.

Finally, Quebec proposed to offer more support to working parents after the birth of their children to improve upon the parental leave provisions of the federal employment insurance program. The plan would offer 18 weeks of maternity leave to new mothers, seven more weeks of parental leave that either parent could take, and five weeks of paternal leave. Any person with work income of at least \$2,000 for the previous year could apply for benefits. Benefits would be equal to 75 percent of net income, rather than the normal 55 percent under federal employment insurance. The new program would also offer 12 weeks of adoption leave and an extended parental leave benefit of \$100 a week for six months after the birth or adoption of a third child. Parental leave would also apply to self-employed workers for the first time.

The White Paper on Family Policy estimated the parental leave reforms could cost \$366 million in 1998 alone. But it said that the implementation of the measures depended on the outcome of negotiations with Ottawa.

A second provincial summit was held in October on the economy and employment as a follow-up to the March 1996 summit. Social groups at the summit were angry about cuts in social programs and demanded that the government promise not to make anyone worse off after the next round of welfare reform. The government would agree only to protect the interests of unemployable recipients and their dependents.

At the close of the summit, the government announced that it would set up an anti-poverty fund of \$250 million to fight poverty over three years by means of employment. The fund, which was first proposed in the welfare reform blueprints in March 1996, would be financed by individual and corporate taxpayers. The contribution - the Quebec Finance Minister refused to call it a tax - would work out to about 0.3 percent of the provincial tax payable for individuals and about three percent for corporations, applied against income in 1997, 1998 and 1999 only.

Less than a month after the summit, members of the Parti Québécois offered their support for Fortin-style welfare reform when they met in Quebec City. The Minister of Income Security and Minister of Health and Social Services both argued against a "zero impoverishment" resolution that would protect existing benefit levels. They said that however honourable the resolution, it was not possible to achieve because of cuts in federal transfer payments to Quebec, and they said that protecting existing benefit levels could jeopardize the family policy reforms scheduled for 1997. The zero impoverishment resolution was defeated.¹⁸

In November 1996, the Ministry of Health and Social Services imposed more cuts on welfare recipients. Changes in health regulations increased waiting periods for optical and dental services. New recipients now have to wait up to two years for coverage for dentures. The number of dental and eye examinations allowed was reduced.

Late in November, the government announced it would increase welfare rates for unemployable households in the Financial Support Program in January 1997. The increase - about \$10 a month for a single person and \$18 for two adults and two children - would go to

112,000 households. In a separate news release, the government said it would offer direct deposit of welfare cheques, on a voluntary basis, to all welfare recipients as of January 1997.

People who apply for welfare while awaiting determination of refugee status would receive assistance equivalent to the not participating category - the base rate of \$500 a month - or the Financial Support Program rate in the case of people who are unemployable because of a disability.

On December 10, 1996, the government finally tabled a consultation paper on welfare reform in the National Assembly, nine months after Fortin and Bouchard had submitted their final reports. The consultation paper, entitled The Road to Labour Market Entry, Training and Employment, proposed transferring huge portions of the welfare caseload to other programs that would be administered by the Quebec Pension Board.

Anyone over 60 who would normally be eligible for welfare would qualify for a new allowance for seniors. The benefit would be equal to benefits under the unavailable category of the Work and Employment Incentives Program minus any Quebec or Canada Pension Plan early retirement benefits to which a recipient might be entitled.

People with disabilities could move to a similar new allowance for the disabled or they could continue receiving welfare with a special disability top-up if they wanted to participate in employability programs.

As announced previously, children of welfare recipients would receive a unified children's allowance rather than welfare. The presence of children in the family would no longer affect the amount of the welfare cheque paid to a family, because the essential needs of the children - including their portion of shelter costs - would be covered by the unified children's allowance. Low-wage families who were not on welfare would also get the unified children's allowance.

The combined effect of the proposed reforms to the welfare system and the new family policy initiatives would see about 255,000 children transferred from the welfare rolls to the Quebec Pension Board. The same board would start paying pensions to disabled people and

people over 60, taking 30,000 people off welfare. These two categories would retain the option of moving back and forth between welfare and the pension board.

For the people left on the welfare rolls, the basic assistance rate would be \$500 a month for single recipients and \$775 for couples. These amounts are equal to the existing rates for singles and couples without children in the non-participating category. Single people with temporary barriers to work like a short-term disability or a young child at home would get an extra \$100 a month. Permanently unemployable single people who chose to stay on welfare would get \$189 a month on top of the basic rate. People participating in training and employability programs would get reimbursed for up to \$120 a month in actual program-related costs like transportation to work and work clothing. Under the old system, people got the extra \$120 automatically, without the need for receipts.

The government planned to integrate employability programs for welfare recipients into a province-wide single-window approach for anyone seeking job-related assistance: students, the unemployed, people on welfare and low-income workers. By the fall of 1997, about 45,000 single employable people 18 to 24 would have to agree to personalized action plans aimed at getting them off welfare. Under the existing system, their \$500 monthly cheque is cut if they refuse to look for a job or quit a job without just cause. The cut is \$150 a month, or \$300 a month when a person refuses to look for a job or quits a job twice in a twelve-month period. Under the reforms, the penalty rule would apply to training and employability programs, not just looking for a job. It would apply even when a person felt that a particular employability measure was not suitable. A mechanism for conciliation was under study for cases where the person and the caseworker could not agreed on how to proceed.

Single parents with children under six are considered unavailable for work under the existing system. The welfare reforms would reclassify single mothers as employable and drop their benefits by \$100 when the youngest child in the family qualified for day care or kindergarten, starting with five-year-olds in September 1997. Child care would expand each year to cover children one year younger until the year 2000. By then, there would be enough day care spaces for children two years of age and up. As day care expanded, the mothers of the children would move into the employability mainstream.

A third group that would be hit hard is people between 55 and 60. Recipients already in the system would not see their cheques cut, but new applicants in that age group would qualify only for the basic rate, a drop of \$100 a month. They would also be required to participate in training and employability programs or face the same penalties as fully employable people: \$150 or \$300 a month.

In addition to shifting welfare recipients to other programs and cuts in benefits, there were other important changes announced in the consultation paper.

Welfare benefits would be considered taxable income for provincial income tax purposes for full-time low-wage earners and people who spend part of the year on welfare and part in the paid labour force. People whose only source of income during the year is welfare would not have to pay income tax. The government said it expected to gain \$50 million a year in provincial taxes because of the change in policy, scheduled to go into effect for the 1998 tax year.

For reasons unknown, the change in tax policy was directed at the one group of welfare recipients which was having the most success in working its way off welfare. Welfare recipients who worked were already losing a dollar of welfare for every dollar of earnings in excess of Quebec's earnings exemptions - a system that was tantamount to a tax of 100 percent on additional earnings. Making welfare taxable would make work even less attractive. The Minister insisted there would still be a big enough difference between maximum welfare payments and minimum tax levels to encourage people to work.

The government planned to start exempting a portion of child support payments in the calculation of welfare entitlements. The monthly exemption would start at \$100 for a child under two, decreasing to \$50 for a child five years or older. But the actual amount of any child support exemption would be included in the household's total earnings exemptions. In practice, the incentive to work would decrease as child support payments increased, because higher exemptions on support payments would mean lower exemptions on work income.

Landlords with welfare tenants would be able to arrange to receive their rent payments directly from the provincial housing authority in cases where tenants were delinquent in paying their rent.

Administrative controls would be tightened up, especially in three areas. Defaulting sponsors of immigrants who apply for welfare would be pursued more vigorously. Non-custodial parents would have to pay the cost for the government to enforce child support orders on behalf of families on welfare. People who were overpaid because of false declarations would have to pay higher charges and retroactive interest on amounts due to the government.

The Parental Wage Assistance Program would be restructured to harmonize it with the unified children's allowance and the new welfare system. The combined effect of the new unified children's allowance, changes to the Parental Wage Assistance Program and welfare reforms would mean very little for people on welfare who are unable to find suitable work. An appendix in the welfare reform consultation paper shows that families with children and no work income would hardly see any difference in their welfare cheques after the reforms are completed. For a single-parent family with one child and annual work income of \$11,000, the total entitlement could go up as much as \$234 a month. A two-parent family with two children and a work income of \$14,000 would receive up to \$135 a month more after the reforms.

Welfare groups and unions immediately denounced the reform proposals. They said that the real objective of the reforms was to push 100,000 people into the marginal work force simply to cut costs. They were also sceptical about the 100,000 jobs to be created, especially in the midst of downsizing in the very sectors where the government was hoping to place people: health, education and social services.¹⁹

Welfare groups insisted that people would not have to be forced off welfare if meaningful jobs and supports like universal day care were available. Even Pierre Fortin and Camil Bouchard, architects of the welfare reform blueprints submitted to the government in the spring of 1996, suggested that the reforms were unrealistic. Fortin said he supported the spirit of the reforms because they struck a balance between the status quo and the harsher reforms going on elsewhere, notably in Ontario. But he also pointed out that Quebec's employment figures would have to improve dramatically if the province expected to move 100,000 people from welfare to work.²⁰ Bouchard said he found the overall approach to welfare reforms too harsh, particularly the monthly welfare rate cuts of up to \$300 for single people who did not follow their individualized plan of action.²¹

Meanwhile, on December 18, 1996, the National Assembly passed a bill that would increase penalties for false declarations, impose fees on "deadbeat dads" who force the government to enforce child support orders, and charge interest on any welfare paid as a loan to people while they are waiting for other income.

The bill got the jump on the public consultation process in the matter of employability for parents. As of September 1997, any person on welfare whose youngest child is five years old and off to kindergarten was reclassified as fully employable and lost \$100 a month in welfare benefits. If the parent participates in an employability enhancement program, he or she gets up to \$120 a month more.

Welfare groups were quick to respond to the announcement. They said the government was short-circuiting its own consultation process by changing legislation concerning parents' employability. One editorialist suggested that once children were transferred from welfare to the unified children's allowance, the government could hack away at their parents' welfare cheques "with a clear conscience."²²

Plans to proceed with a unified children's allowance in 1997 had to be revisited because of the announcement of improvements in federal government benefits for children in the 1997 federal budget speech. Quebec decided to raise its provincial family allowance as of September 1997 to a maximum of \$975 a year for the first and second child in each family and \$398 for each additional child. Single-parent families get a supplement of \$1,300.

The province estimated that some 220,000 low-income families would be getting the maximum family allowance and another 490,000 families would be getting partial allowances. The maximum benefit goes to single-parent families with net incomes of less than \$15,332 a year and two-parent families with net incomes of less than \$21,875.

The changes in federal government benefits for children also led Quebec to make adjustments in the Parental Wage Assistance Program for 1997 and 1998. Benefits under the program were reduced slightly in September 1997 to offset an increase in federal child benefits. Increases in the Parental Wage Assistance Program are planned for 1998.

The formal hearings on the consultation paper were held in the early months of 1997. The government set the tone for the consultation process the day before the hearings were to start. It released the results of recent surveys claiming that a majority of the population, including welfare recipients themselves, supported the reform proposals.

Almost all the people surveyed agreed that young people 18 to 24 on welfare should be forced to participate in training or employment programs. Proposed penalties for job quitters were supported by 77 percent of the general population and 64 percent of welfare recipients who were questioned. Public opinion was split on the issue of the employability of parents - especially single parents. Only 40 percent of the general public and 28 percent of welfare recipients supported increasing the job expectations for parents. A majority of respondents from the general public and the welfare rolls felt that mothers should be allowed to stay home until their youngest child turned five or six.

As expected, the hearings produced numerous criticisms, suggestions and counter-proposals that were still being analyzed by the provincial government as of the fall of 1997. The final outcome remained to be seen, but it appeared certain that major changes in the welfare system would be coming before the National Assembly in the months ahead.

ONTARIO

The provincial election of June 8, 1995, marked a dramatic turning point in welfare and social services in Ontario. Mike Harris and his Progressive Conservative Party promised voters a "common sense revolution" that included hefty savings on their provincial income taxes, sharp cuts in welfare rates and mandatory work-for-welfare programs.

The Harris government was certainly not the first in Canada to crack down on welfare, but the extent of the changes was mammoth. Welfare rates were cut in October 1995 by 21.6 percent for all recipients aside from people with disabilities and seniors. Children whose parents were on welfare were among the main victims of the cuts. The cuts were followed in short order by plans to force able-bodied welfare recipients into jobs and plans to unify the province's two-tier welfare system by dumping welfare and social services on municipal governments.

Tens of thousands of people dropped off the Ontario welfare rolls, but it was unclear even months later what proportion of them were destined for better lives as a result.

The crackdown on welfare was even more dramatic because of the host of improvements in the welfare system made by previous Liberal and New Democratic Party governments. Ontario quickly lost its reputation as a leader in welfare reform and became just one more province trying to make the least of its least popular social program.

Like Nova Scotia and Manitoba, Ontario has a two-tier welfare system. Under the Family Benefits Act, the province provides income support to people considered unable to work, including people with disabilities and many single parents and their children. Maximum rates of assistance for basic and special needs are the same throughout the province, but municipalities are free to choose how much or how little special assistance they offer. The province pays 100 percent of basic needs and 80 percent of special needs under Family Benefits. Municipalities pay 20 percent of special needs.

Under the General Welfare Assistance Act, municipalities are responsible for providing welfare to employable people and for referring them to appropriate job services. Municipalities pay about 20 percent of the bill for basic assistance and 50 percent for special assistance, and

the province pays the balance. Basic assistance rates for employables are uniform throughout Ontario, but municipalities can choose to pay less special assistance, or none at all.

Many of the changes in welfare prior to the Harris government flowed from the 1988 report of the Social Assistance Review Commission entitled Transitions. The report was a milestone document, with 274 specific recommendations and a long-term vision that the social policy community found both responsible and compassionate. The report's most radical proposals called for a national disability insurance plan and an "integrated" child benefit - two programs that would remove disabled people and children from the welfare rolls. It also proposed income supplements for the working poor and new or better programs to help poor families with child care, housing and health-related needs.

The first wave of Transitions reforms came in 1989 under a Liberal provincial government. Basic assistance and shelter allowances were improved, municipal welfare rates for children were raised to the same level as provincial allowances, and many welfare rules were changed in the interest of fairness and equity. The province extended and improved supplemental health care benefits for people leaving welfare for work. A new "buffer zone" allowed welfare recipients in the paid labour force to keep their health benefits even when income exceeded the normal limits for welfare by \$50 a month for single people or \$100 a month for families.

The Supports to Employment Program was launched in the fall of 1989. The purpose of STEP was to encourage people on welfare to work by letting them keep more of their earnings. It even allowed low-income workers with families to receive a welfare top-up to prevent them from giving up their jobs and falling back completely on welfare. The provincial government monitored STEP and found that more people were reporting more work income because of the program.

The second wave of Transitions reforms took place in 1991 under a New Democratic Party government. Basic welfare allowances went up in January by seven percent instead of the five percent originally announced. Shelter allowances went up by ten percent instead of five percent.

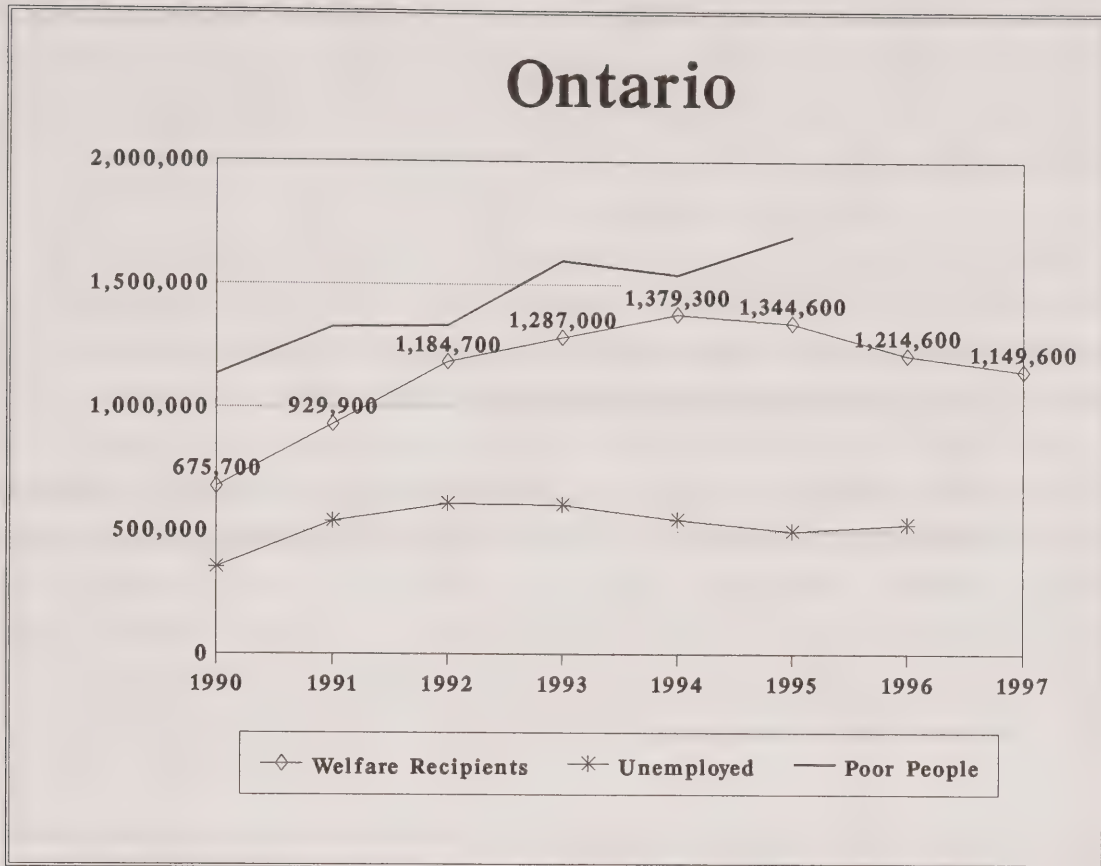
The Advisory Group on New Social Assistance Legislation appointed by the previous government produced its first report, Back on Track, in March 1991. Most of the report's 88 proposals came from Transitions, and they were steps the government could take right away without waiting for legislation to unify the two-tier welfare system. The proposals came with a price tag of about \$450 million a year. The government committed \$215 million for the 1991-92 fiscal year as a first step toward an overhaul of the entire welfare system.

In the summer and fall of 1991, Ontario increased basic welfare rates for people with the greatest needs: single parents on municipal welfare awaiting transfer to the provincial program, single boarders, employable people and couples 60 to 65 years of age. The province changed its municipal welfare regulations to redefine some types of special assistance as mandatory. The change forced some smaller municipalities to start paying allowances for winter clothing, children's school-related needs, funerals, and diabetic and surgical supplies.

The government further improved the Supports to Employment Program by increasing the percentage earnings exemption from 20 percent to 25 percent, recognizing union dues and mandatory pension deductions in calculating net income, recognizing and paying for work-related expenses of disabled people, and improving incentives for welfare recipients to take training.

A number of positive changes took place on the administrative side of welfare as well. The government eliminated the rule that made home visits by social workers compulsory. It improved communications between the Ministry of Community and Social Services and welfare recipients. It required all municipalities to start paying welfare top-ups to low income earners with high needs - like larger cities in the province were already doing.

The province committed \$16 million of the initial spending increase of \$215 million to implement recommendations of a report on First Nations communities. A special project team working with the Advisory Group on New Social Assistance Legislation released a report in March 1991 calling for more control of welfare by Aboriginal people and more sensitivity by the government to their economic, social and cultural concerns.



The progressive welfare reforms of 1991 were applauded by social groups. For others, the reforms planted the seeds of discontent with a system that seemed to be getting far too generous and far too expensive. Public support for positive welfare reform was still there, but it soon started to wither.

Ontario was already reeling from the recession of 1990-91 and the federal government's decision in 1990 to limit increases in federal cost-sharing under the Canada Assistance Plan to five percent a year in Ontario, Alberta and British Columbia.

The number of unemployed people in Ontario almost doubled to 538,000 between 1989 and 1991. The number of people on welfare shot up to 929,900 in 1991 and kept climbing to a peak of 1,379,300 in 1994. The provincial government estimated its loss in Canada Assistance Plan payments from Ottawa would exceed \$1 billion in 1991-92 alone.

There were modest increases in welfare rates at the beginning of 1992, but that was about as good as things would get for welfare recipients during the next few years. The basic welfare rate went up by two percent and the maximum shelter allowance by six percent, half in January and the other half in July.

The provincial government said it was committed to further welfare reforms down the road, and it promised new legislation by April 1992 to start unifying the welfare system. It promised to create a welfare consumers' group to help guide further reforms, and it promised to examine various market basket approaches to setting welfare rates.

In May, the Minister of Community and Social Services announced plans to hire another 450 welfare workers. The new staff would help reduce existing caseloads of more than 400 households per worker. The Minister said she hoped that the new workers would save \$150 million by encouraging welfare recipients to apply for federal benefits to which they might be entitled such as unemployment insurance and Canada Pension Plan benefits. The Ministry would also try to save about \$150 million by cutting eligibility for some recipients and fighting fraud.

In early June 1992, the Advisory Group on New Social Assistance Legislation submitted its second report, Time for Action. The report recommended a comprehensive \$214 million strategy to provide the best possible income security: a good job. The report said that it was necessary to link welfare to the proper supports for people to become self-sufficient - supports like housing, education, child care, counselling and training. Time for Action called for the province to end its job search requirement policy, to get on with rate improvements based on market basket studies and to make special assistance less discretionary, especially in small municipalities. The advisory group wanted only two welfare categories: disabled people and their families, and all others. They also wanted the government to speed up the unification of the province's two welfare programs.

Time for Action promised a lot, but the Ontario government did not deliver. The fiscal noose was tightening, dependency on unemployment insurance and welfare was growing, and there was no light at the end of the tunnel. The report was largely ignored by the government, which was already clamping down on the welfare system.

Starting in August 1992, the government "notched" its Supports to Employment Program when it said that earnings exemptions could not be used to exempt work income for the first three months on welfare. The rule change caused financial hardship for thousands of new welfare households, single people and families, which saw their welfare cheques drop by a dollar for each dollar of work income during their first three months on welfare.

Late in 1992, the provincial Auditor-General released a report that said Family Benefits fraud was costing between \$70 million and \$100 million a year. It also said that the province was losing \$70 million a year in welfare benefits to disabled people who would qualify for Canada Pension Plan benefits if they applied. Insiders said that the "fraud" was mostly overpayments caused by the income averaging system the government used to calculate welfare cheques and by other administrative problems.

The Auditor-General estimated that chronic mismanagement of the welfare system had cost Ontario as much as \$500 million over the past decade. The Minister of Community and Social Services responded that many of the problems revealed in the report had already been solved by the hiring of 450 new staff.

The Minister of Community and Social Services announced in January 1993 that the provincial government had signed a draft agreement with municipalities concerning the provincial takeover of welfare costs and other costs that were to be picked up by the municipalities. The final agreement was to be in place by January 1995. The province would extend its enriched funding of municipalities with high welfare dependency until the end of 1993.

At the end of April 1993, however, when municipal officials from across the province met to vote on the province's proposals for disentanglement, the welfare takeover bid was rejected. Many municipalities felt that they would end up losing out in the transfer of responsibilities and costs between the two levels of government. Despite the rebuff, provincial officials said that unification of the welfare system was necessary and they would proceed unilaterally if they had to.

Premier Bob Rae touched off a firestorm of controversy early in February in a speech at the Ontario Institute for Studies in Education when he vowed to fix welfare so it would no longer pay people to sit at home. He said his view of welfare reform was not unlike what

President Clinton wanted to do in the United States. At the time, Clinton's proposals included workfare - working at a specific job under specific conditions to qualify for basic welfare - and cutting off benefits completely after two years. Welfare groups in Ontario were outraged. Union leaders said that the NDP had lost its soul and that the Premier was talking the language of Conservatives and the Business Council on National Issues.²³

In April 1993, Ontario's Expenditure Control Plan was released by the Minister of Finance. Included in the plan were a number of specific measures which were implemented during 1993-94 to contain or reduce social assistance costs.

Welfare authorities started doing in-depth reviews of case files to ensure eligibility and accurate benefit levels. They stepped up their reviews of cases where there was a sponsorship breakdown. They put a limit on retroactive welfare payments. Some types of special assistance were eliminated or cut back. The changes included limiting home repairs to emergency situations, discontinuing payment of life insurance premiums and limiting moving expenses to essential moves. Benefits for young recipients living on their own were reduced or cut off where their parents could be legally obliged to support them.

The welfare system started considering previously exempted financial resources in calculating benefit entitlements. This meant that for the first time, the government started cutting welfare cheques for assets like life insurance policies, interest earned on liquid assets, and the increase in the value of a home while its owner is on welfare. The government introduced shelter ceilings for families on welfare that varied by region.

Basic welfare rates were not cut in the Ontario Expenditure Control Plan - in fact, they went up by one percent in April 1993. But life got tougher for people on welfare in the summer. The government had used the STEP notch in August 1992 to stop paying welfare top-ups to low-wage workers. In the summer of 1993, the government said people on welfare who were working were better off than workers in similar jobs who were not on welfare. They overlooked the fact that they had created the inequality in the first place by ending welfare top-ups to the working poor. Instead, they cut the flat-rate monthly earnings exemption for people on welfare who were working by \$50 for a single person or a two-parent family and by \$55 for a single-parent family.

In July 1993, the Minister of Community and Social Services released Turning Point: New Support Programs for People with Low Incomes on the welfare reforms which the government intended to implement by the beginning of the 1995-96 fiscal year.

Turning Point proposed an Ontario Child Income Program of monthly payments to all low-income families with children based on family income and the number of children in the family. In 1988, the Transitions report proposed an "integrated" child benefit combining all federal and provincial benefits paid on behalf of children to "take them off welfare" and to provide a similar benefit to low-wage or working poor families with children who were not on welfare. The proposed benefit was \$3,300 a child for households with incomes of less than \$15,000. The maximum benefit would drop by 25 percent of household income over \$15,000 and eventually disappear. Turning Point revived the concept of taking children off welfare, but did not offer any details.

Turning Point also proposed an Ontario Adult Benefit, needs-tested welfare like the current system. This would be payable to "adults in transition" to cover food, clothing, shelter and personal requirements.

Another component of the Turning Point proposals was JobLink, a series of initiatives to connect people to education, training and job placement programs. JobLink would be available only to Ontario Adult Benefit recipients, and it would replace their regular cheques with an Employment and Training Allowance. The new allowance would take into account both basic needs and costs related to job preparation and job search activities.

Most of the reforms would have required complex negotiations with the federal government before they could be put into place. The Ontario Child Income Program and the Ontario Adult Benefit never survived the initial discussions. JobLink went ahead, because the province's plans for training and employment assistance did not depend on federal support.

Meanwhile, the number of people on welfare kept rising past 12 percent of the population, the highest welfare dependency rate of any province in 1993. The employment picture was barely starting to pick up. All in all, it was not a very good year for Ontario.

Compared with the welfare reforms of 1989, 1991 and 1993, the system hardly changed at all during 1994. The government cut welfare rates to all two-adult households, including those with children, by \$27 a month in June 1994. There were also cuts in utility allowances and shelter allowances for some recipients with low housing costs. For the most part, officials spent the year tightening up their administration with more fraud investigations and more rigid application of controls. Welfare policies for sponsored immigrants were tightened up in 1993 and again in 1994 to force sponsors to respect their support agreements.

The employment picture in Ontario brightened in 1994. Close to 60,000 people who were unemployed in 1993 found jobs in 1994. The average number of unemployed people had dropped from 604,000 in 1993 to 547,000 in 1994 to 501,000 in 1995. Welfare dependency dropped between March 1994 and March 1995, by about 35,000 people. Part of the decrease was due to improvements in the job market. But the 1993 reforms and the new controls had made it harder for people to qualify for welfare.

Late in October 1994, the Minister of Community and Social Services felt compelled to respond to grumbling about welfare spending that was allegedly out of control. The Minister issued a report entitled Managing Social Assistance in Ontario: Finding the Problems and Fixing Them that summarized most of the cost containment initiatives and controls the government had imposed since April 1993. Managing Social Assistance in Ontario was the kind of document some people wanted to see: tough love, thorough scrutiny of the circumstances of welfare recipients and outright war on welfare fraud. The government even produced figures that 15 percent of the caseload was repaying money received due to errors, abuse and incomplete information.

In his 1992 annual report, the Ontario Auditor-General complained about mismanagement of the provincial Family Benefits Program. In his 1994 report, he turned his sights on General Welfare Assistance. The Auditor-General saw many of the same problems with municipal welfare as he had with the provincial program: unrecovered overpayments, poor case management, potential for abuse and wasted tax dollars. All these complaints came at a time when the province's welfare caseload was at record or near-record levels - levels that would have been considered unimaginable in the years prior to the last recession.

As it turns out, the year 1994 was the calm before the storm. Before the Ontario government could proceed with further welfare reforms, the 1995 federal budget announced a freeze on transfer payments to the provinces for 1995-96 and reduced funding under the new Canada Health and Social Transfer starting in 1996-97. The shock of the announcement of the federal cuts had not yet subsided when a spring election was called. On June 8, 1995, the Progressive Conservatives ousted the New Democratic Party.

The new government's election platform was not unlike the one that had vaulted Ralph Klein and the Conservatives to power in Alberta in 1993. It was founded on beliefs in less government, less regulation and less welfare.

On July 21, 1995, the new government announced \$1.9 billion in government spending cuts for 1995-96. The cuts affected many areas, from grants to businesses to pay equity to public transit, but welfare took the biggest hit. A total of \$469 million in savings came from the 21.6 percent cut in welfare rates for everyone on welfare except seniors and the disabled due to take effect in October 1995.

The National Council of Welfare looked at the incomes of people on welfare in Ontario in the 1990s and found that the improvements in welfare incomes resulting from the reforms of 1989 and 1990 were all but gone by 1995. The purchasing power of welfare incomes in Ontario peaked in 1992 and has been going down ever since. In 1996, welfare incomes were about what they were ten years earlier.

Aside from the cuts in welfare rates, new administrative measures to tighten eligibility and reduce fraud went into effect almost immediately. Special relief to municipalities with high welfare caseloads was terminated. Provincial social service agencies saw their budgets cut by 2.5 percent for 1995-96 and five percent for 1996-97. An immediate freeze was placed on new non-profit housing. The JobsOntario training program was cancelled. Provincial funds for public transit were cut.

On August 23, the government announced some immediate welfare reforms. Welfare became much tougher for young people 16 and 17 years of age living on their own. An employable person quitting or losing a job without just cause was disqualified from applying for welfare for three months. The old rule was disqualification for one month. Home visits by an

income assistance worker became mandatory at the discretion of the agency as a condition of eligibility for welfare. Previously, home visits were at the discretion of the recipient, except in cases of suspected fraud.

A person living in a common law relationship would no longer be able to collect welfare as a single person or a single parent. Under the old policy, to conform with provisions in the Family Law Act, a common law spouse was not considered as part of the welfare household for the first three years of cohabitation. However, the welfare recipient's cheque was cut during the three-year period by a monthly amount imputed for the partner's board and lodging. The new rule meant immediate disqualification for a single-parent mother receiving Family Benefits whose boyfriend moved in. This is because Family Benefits does not pay assistance to couples unless one spouse is disabled. For single people and single parents on General Welfare Assistance, the new rule meant that a boyfriend who moved in was immediately considered part of the household and his assets and income were included in the household's financial resources.

In the Speech from the Throne that opened the Provincial Parliament in September 1995, the government said it would fulfil two of its main election promises in 1996: workfare and the first stage of a 30 percent provincial income tax cut. Details of the workfare programs were not immediately available, but the program was to start only in the spring of 1996. The delay was because of the implicit ban on workfare that was part of the Canada Assistance Plan. CAP was due to end on April 1, 1996.

In the fall of 1995, welfare groups backed two court challenges of Ontario's welfare policy. Twelve families on welfare took the government to court over the rate cuts of October 1995. They brought along 12 affidavits by social policy and health experts showing living costs, welfare rate comparisons and the effects of poverty on families and children. In the other case, four single-parent mothers challenged the "spouse in the house" rule change that punished single parents as soon as they started living with a person of the opposite sex. The government won both cases.

The throne speech repeated one other Tory election promise - that people on welfare would be able to make up every cent lost to welfare cuts by working. When the rate cuts took effect in October, earnings exemptions were increased at the same time. For people with larger families, it was impossible to earn back the money they had lost, because the new exemptions

did not take family size into account. Welfare groups pointed out the problem to the government and the media. The government adjusted the exemption levels for family size two months later and actually reimbursed recipients who were working and whose incomes had dropped initially.

In October 1995, a province-wide telephone welfare "snitch line" was inaugurated with much fanfare. The Minister of Community and Social Services said he expected the service would save Ontario taxpayers \$25 million in its first full year of operation. As of the end of November 1996, 18,655 people had called the Ministry with reports of alleged welfare abuse. People had their benefits reduced or cut off completely in 1,267 cases at a savings to the province of \$8.6 million or about one-third of the original estimate.

Also in October 1995, the Premier announced \$772 million in additional spending cuts. Every ministry's budget was trimmed, including Community and Social Services by \$127 million. The budget for JobLink, the program which helped welfare recipients move into the workforce, was cut by \$46 million. Social service agency grants were cut by \$43.5 million. That meant much less funding, or no funding at all, for a variety of vital supports like counselling and treatment in family violence situations, maternity homes for young mothers and Aboriginal programs.

On November 29, the Finance Minister released his 1995 Fiscal and Economic Statement, complete with a plan to eliminate the deficit by the 2000-01 fiscal year. He also announced heavy cuts in funding for municipalities, universities and colleges, schools and hospitals. The total savings from the cuts the government had already made and the new ones being announced were estimated at up to \$5.5 billion in 1996-97.

The only measure with a direct impact on welfare households was a new fee of \$2 per prescription that would start in June 1996. The Drug Benefit Plan would also impose the same user fee on low-income seniors and higher fees and deductibles on single seniors with annual incomes of \$16,000 or more and couples with incomes of more than \$24,000. Many pharmacies waived the new fee for clients on welfare and seniors.

Even though the November 1995 cuts did not focus on welfare, they had a profound impact on the lives of the poor in Ontario. The day after the release of the November mini-budget, an editorial in the Toronto Star called it a "giant offloading" of provincial

responsibilities. "These institutions (municipalities, hospitals and educational institutions) will have little choice but to pass on the burden to the sick, to the elderly, to property owners and to students by paring down services, imposing user fees or hiking property taxes."²⁴

An Angus Reid poll showed that 60 percent of Ontario residents overall applauded the government's record in its first six months in office. However, the same poll showed that 57 percent of people with household incomes below \$30,000 disapproved of the government's actions.²⁵

In early December, government figures showed that 100,000 people had left the welfare rolls between June and November 1995. The Premier called it a "red letter day," and the Minister of Community and Social Services said he was encouraged by the numbers. The Minister also gave credit for the drop in welfare dependency to welfare reform, notably fraud control and tighter eligibility conditions.

One provincial government official estimated that about 10,000 people, mostly women with children, had left the welfare rolls since the start of the spouse-in-the-house rule. Another 12,000 were low-income workers with families whose welfare top-ups - modest in most cases - were cut in October 1995. About 5,000 youths 16 and 17 years of age had been forced off welfare since the fall of 1995.²⁶ No one seemed to know about the rest of the 100,000, but it seemed certain that the province's falling unemployment rate also was a major force in reducing the welfare rolls.

A coalition of social groups working with disadvantaged people released the Ontario Women's Declaration on December 6, 1995. The statement reviewed the cuts taken by the Harris government in 1995 and took a look at the cuts scheduled to take effect in 1996. Among other things, the group said, the cuts would mean increased poverty for the most vulnerable women, an increase in child poverty at a time when thousands of children living in Toronto were already on welfare, a deterioration in the living conditions of the population as a whole, a deterioration in housing conditions and increased homelessness, and a loss of autonomy for the disabled.²⁷

A study by the Social Planning Council of Metropolitan Toronto and the Toronto Community Services Department in December 1995 provided information on how the cuts by

the province had affected hundreds of community agencies. Over 162 programs had already been cancelled, and 106 more were going to shut down by the end of the fiscal year. Another 330 community programs and 74 child care programs were "under review."²⁸ These depressing numbers backed up the anecdotal information in the Women's Declaration.

There were hardly any welfare rule changes and no welfare rate cuts in 1996, but the year was filled with social unrest and labour upheaval. Thousands of provincial government workers went on strike for five weeks starting in February. Thousands more, from welfare recipients to union members to health professionals attended "Days of Action" demonstrations in several large cities in the province at different times in 1996 and 1997.

One of the key developments of 1996 was the evolution of the government's plans for workfare. It seemed so simple according to the rhetoric on the campaign trail, but it turned out to be so complex in practice. The challenge was to create jobs for about 300,000 employable people at a time when there were already half a million people in the province out of work. A whole new administrative infrastructure was needed to administer workfare and to ensure appropriate supervision of participants. One official estimated that running a full-scale workfare program in Ontario could cost up to \$1 billion.

By April 1996, the Conservatives were saying that workfare would start in September, but only as a pilot project in 15 cities that had expressed interest in the initiative. The original plan would have applied to every employable person on welfare, including single parents with children over three years of age. By the time the pilot project was officially announced in mid-June, 20 cities said they wanted to be involved.

After much reflection about the complexities and the high cost of running workfare on a province-wide scale, the government decided to focus initially on able-bodied single people. About 54,000 people would be affected by the first phase of the program, dubbed Ontario Works. By 1998, the program would cover all 300,000 employable people on welfare.

The Ontario government set aside \$100 million to start, and it expected to spend about \$450 million by 1998. Participants in selected municipalities would be required to do an average of 17 hours of designated work a week to continue receiving their welfare cheques. The government promised that community placements would not take a paid job away from anyone.

The Ontario Works information guide included a list of suggestions for workfare projects: cleaning up old logs and garbage from rivers and streams, planting trees, maintaining snowmobile trails or assisting at a seniors' drop-in centre.

Individual placements would not last longer than six months. In practice, the six-month limit would move people into jobs with no future, then into the federal employment insurance program.

Welfare officials in many of the larger cities did not buy in to the concept of workfare. The Commissioner of Community Services of Metropolitan Toronto had this to say in a June 13, 1996, article in the Toronto Star: "What the public forgets is that there is already a mandatory framework to welfare. Welfare recipients are required to look for work and are required to have an action plan to get off welfare." The Commissioner called the \$450 million cost of workfare a "misdirection of scarce public funds." The money would be better spent creating real jobs and work placements for people on welfare.

Throughout the second half of 1996, some workfare projects did get off the ground, but on a much smaller scale than the plan announced in June. By the end of November, according to an article in Ottawa's Le Droit, only nine smaller municipalities had started workfare projects, involving small groups of nine to 30 participants. In March 1997, eight months after the first 20 workfare sites had been announced, the Social Planning Council of Metropolitan Toronto said that only 14 of the municipalities had filed their business plans with the provincial government. The Council's research had turned up "a few workfare placements at best, and in some cases, none at all." The total number of actual workfare jobs since the fall of 1996 was under 250 for all "interested" municipalities.

There were no rate cuts during 1996 for the welfare caseload generally, but for about 17,000 welfare parents in post-secondary education, life got tougher. Starting in September, those people were referred to the Ontario Student Loans program. Single-parent mothers could either quit their post-secondary education program and go back on welfare, or they could finish their college or university with a mountain of student loan debts. Many of the 17,000 did not make it to the student loan program; they just gave up on their dreams. Other women took out loans, tried university, dropped out and wound up worse than before because of their sizable debts.

In the 1996 budget, the government announced that it would create a pension program for needy disabled people and seniors called the Guaranteed Support Plan. It was a notion that had been floating around since the Transitions report of 1988. The Conservatives embraced the plan, promising that seniors and the disabled would be no worse off after the reforms. There was no firm date set for the start of the program. As of 1997, needy seniors and disabled people were still receiving assistance under the Guaranteed Annual Income System for the Disabled, popularly known as GAINS-D.

In the spring of 1996, local welfare offices in Ottawa and Toronto tracked people who left welfare. They found that fewer than 30 percent of the people of working age had found jobs. The rest had either moved to the provincial Family Benefits program if they were disabled, moved out of the province, went back home to live with their parents, or moved in with someone else.

The Ministry of Community and Social Services responded with its own survey in the fall. A private firm did a telephone survey of 2,100 people who had left welfare in the month of May 1996. The survey showed that almost 62 percent of the survey participants had either found jobs or improved their job situation. The survey did not include people who had been cut off welfare and who could not afford phones.²⁹

On February 26, 1997, the Toronto Star reported on a follow-up survey of people leaving welfare in Toronto. The Community Services Department did an "exit survey" that included about 3,500 people who had left the welfare rolls in 1995 and 1996. The survey showed that 43 percent of the respondents found jobs. Seventy-two percent of those who found jobs had no dental or drug plan, and only 16 percent of them reported earnings over \$500 a week. Twenty percent were earning less than \$200 a week.

The provincial Auditor-General's report, released in October 1996, took another swipe at abuse, mismanagement and administrative overspending in the Family Benefits program. The 1996 follow-up audit resulted in many similar criticisms. Working at three welfare offices, auditors found that 85 percent of the files reviewed were missing crucial information required by Ministry rules. Many non-custodial parents claimed they could not pay child support because they were on welfare themselves. In 60 percent of the cases checked by auditors, those claims

appeared to be false. Welfare recipients owed the government \$368 million in overpayments, according to the Auditor-General.

One of the most striking observations of the Auditor-General was in the area of staffing. The earlier audit in 1992 had concluded that service to recipients could be effectively met with a caseload of 275 cases per worker. With a caseload of more than 375 files per worker, only 25 percent of critical staff functions could be completed. The 1996 report showed an average of 385 files per caseworker.

The Auditor-General recommended that the Ministry have "reasonable" workload standards to enable caseworkers to perform their work. The Ministry said it was not considering significant increases in staff but was looking at different models of service delivery and the benefits of technology. In February 1997, Ontario signed a six-year, \$180 million deal with Andersen Consulting, a giant U.S. management consulting firm, to find inefficiencies in the system and to beef up the computer technology to improve welfare administration. Andersen made the province an offer it could not refuse: no results, no pay. The company had used a similar approach when it won a similar contract in New Brunswick a few years earlier.

There were many reports and studies on the impact of the 1995 Ontario welfare cuts during 1996. One of the most credible and compelling was released on May 27, 1996, by the Toronto Commissioner of Social Services. Impacts of General Welfare Assistance Rate Reductions was relatively short at 18 pages plus appendices, but it showed just how much tougher welfare had become.

Over 66 percent of employable welfare households in the regular rental market in Toronto were paying more for shelter than their maximum shelter allowance from welfare. That meant dipping into allowances for food and other basic needs to cover the rent. In August 1995, before the 21.6 percent rate cut, 33 percent of the caseload paid more than the maximum allowance. In fact, 15 percent of all households receiving municipal welfare in Toronto in May 1996 were diverting more than 50 percent of their basic allowance to cover rent. This was up from 4.6 percent of households in August 1995.

The maximum monthly shelter allowance for a single employable person starting in October 1995 was \$325, while the average rent in Toronto for a bachelor apartment was \$531.

For a single parent with one child on welfare, the maximum shelter allowance was \$511, and the average Toronto rent for a one-bedroom apartment was \$661.

In April 1996, over 6,700 children lived in welfare families in Toronto that were diverting over 50 percent of their basic allowance to meet their current shelter costs.

In 1990, a single employable person on welfare got the equivalent of 61 percent of the provincial minimum wage. In 1996, welfare paid only 44 percent of the minimum wage.

Evidence from caseworkers, agencies and recipients indicated increasing hardship and increasing risk for people on welfare. Recipients had less income and less access to community supports, many of which were slashed. They also faced rising living costs, from user fees for community services to higher public transit fares to higher rents.

A year after the October 1995 rate cuts, the Ontario Social Safety NetWork released Ontario's Welfare Rate Cuts: An Anniversary Report. Predictably, the report contained some sad stories of the misery caused by the cuts. "The social and human costs of these cuts have been tremendous," the report said. "We have not paid all the costs yet. The longer we continue this social trajectory, the higher the costs will amount."

The number of evictions was increasing. Recipients were moving to "appalling" housing or back in with abusive spouses. There was already a crisis situation in low-income housing, and it would get worse because the government was lifting rent controls.

In 1996, about 71,000 Toronto children needed food bank assistance, an increase of 65 percent over 1995. Food bank services in other cities had similar jumps in demand - or much higher - as a result of the cuts.³⁰

In January 1997, Metro Toronto children's services officials said child poverty in Toronto was substantially higher than the figures from Statistics Canada. The federal figures were too low because they did not include homeless people, illiterate people and poor people without phones to participate in surveys. In fact, the Toronto study showed one child in three - 89,000 of the city's 250,000 children - living in poverty, not one in four as reported under the Statistics Canada benchmarks.

Around the same time as the release of the Toronto study on child poverty, the Ontario government announced a fundamental shift in welfare funding to take effect in January 1998. It was part of a massive reorganization of education, social services and health care that arose from a review by an 11-person "Who Does What" group headed by David Crombie, a former Toronto mayor and Minister of Health and Welfare in the short-lived Conservative federal government of 1979 and 1980. The group had been asked by the Minister of Municipal Affairs to produce a blueprint for disentangling programs jointly run by the province and municipalities.

One of the main decisions was that the provincial government would take over full financial responsibility for education - about \$5.4 billion - starting in January 1998. In return, municipalities would have to pick up half of the total cost of welfare - including the Family Benefits program, which was funded entirely by the province.

The restructuring of Ontario finances was supposed to be cost-neutral for both levels of government. But the January 1997 announcements were very far-reaching and very complex. The delivery and funding arrangements would change for many programs and services, including nursing homes, child care and grants to municipalities. On February 12, 1997, an article in the Toronto Globe and Mail concluded that municipalities would end up spending \$866 million more after the reforms.

Critics pounced on the provincial government for going in exactly the opposite direction from the changes proposed by the government's own advisers. The Who Does What group had concluded that social programs, especially welfare, should be funded by the province rather than municipal property taxes. It said municipal taxpayers should not have to bear the extra welfare costs when recessions hit. In fact, the group had urged the government not to download social services, public health or housing to municipal governments.

By the end of February, the Ontario government was signalling its willingness to discuss the division of services to ensure that local governments would not be crushed. Early in May, the province backtracked on its intention to download welfare costs to municipalities. The province would pick up only half of the cost of education, leaving the other half for municipalities to cover as of January 1998. In return, municipalities would continue paying 20 percent of welfare and the province would pay the rest.

On June 12, 1997, the Ontario government finally introduced its new welfare legislation. The Ontario Works Act would replace the two existing welfare laws, the Family Benefits Act and the General Welfare Assistance Act. The Ontario Disability Support Program would replace the Vocational Rehabilitation Services Act and welfare under the Family Benefits Act.

The Ontario Works Act would formally create Canada's first workfare program. It would force sole-support parents whose children are in school to participate in Ontario Works. People convicted of welfare fraud would be disqualified for three months for a first offense and six months for subsequent offenses. Municipalities could use fingerprinting or retinal scanning on beneficiaries. The government could place liens on the homes of welfare recipients, and it could decide to pay landlords or utility companies directly. The welfare appeal board would be replaced by a small tribunal with reduced scope. For example, it would not hear appeals concerning emergency assistance.

The Ontario Disability Support Program Act would improve assistance for disabled people by letting them keep more of their assets, protecting their benefit levels, offering them supports to employment if they wanted to work, and reinstating their welfare benefits immediately if a job attempt fails.

As the summer drew to a close, the Minister of Community and Social Services announced that welfare caseloads in Ontario were down to 564,210 in August 1997 - a drop of 17 percent from the 678,480 cases reported in June 1995.³¹

The welfare reform legislation received second reading - approval in principle - in the Provincial Parliament on Sept. 9 and was referred to detailed study by a legislative committee.

Meanwhile, the Ontario Social Safety NetWork was gearing up to fight the proposed legislation. In the first in a series of background papers, the group described the legislation as a radical departure from the welfare reform promoted in Ontario less than one decade earlier: "It creates a system that further entrenches poverty, reduces what meagre help is now there and places so great a burden on those already impoverished that they are unlikely to ever rejoin the mainstream of our society."³²

MANITOBA

Like Nova Scotia and Ontario, Manitoba grappled for years with proposals to replace its two-tier welfare system with a system that was more or less uniform across the province. Unfortunately, unification had the effect of weakening the social safety net for welfare recipients in the City of Winnipeg.

Under Manitoba's two-tier system, the province traditionally provided welfare to unemployable people under the Social Allowances Act, and municipalities paid welfare under municipal by-laws to able-bodied people. Winnipeg is only one of 202 municipalities in Manitoba, but it accounts for roughly 90 percent of all municipal welfare recipients in the province.

There were few province-wide standards, leading to wide variations in welfare rates and eligibility criteria. Each municipality had to pay about 20 percent of the total welfare bill for its able-bodied recipients and the province paid the rest. The total bill for the provincial and municipal welfare systems was submitted to the Canada Assistance Plan, and the province got back 50 percent from Ottawa.

There were many calls for a unified welfare system in Manitoba throughout the 1980s and into the early 1990s. The province finally responded on January 17, 1992, and announced its intention to standardize welfare rates and eligibility conditions for municipal assistance.

In the fall of 1992, the province amended the welfare laws to allow province-wide standards, and it released a long-awaited Municipal Assistance Regulation that would come into effect in April 1993. The Municipal Assistance Regulation was a step towards the eventual provincial takeover of municipal assistance. But the provincial government kept the old provincial-municipal cost-sharing formula for welfare for the time being.

After April 1993, municipalities were still administering welfare to households headed by an employable person. But their rates had to be at least as high as the amount the province was paying to its unemployable welfare cases.

The Municipal Assistance Regulation also established a new standard definition of income to be considered in the determination of eligibility for welfare.

Municipalities were free to raise their rates or allow more generous income exemptions. If they did so, however, they would have to pay for any extra costs themselves.

The April 1993 changes forced some communities to raise their rates to meet the provincial standards. For Winnipeg, it was a different story. About 27,000 of the 30,000 people on municipal welfare in Manitoba were living in Winnipeg. The city's welfare program was better than the provincial program in many respects, so the pressure was on Winnipeg to lower its rates and standards.

Until 1993, welfare rates for families with children on municipal assistance in Winnipeg were actually higher than rates for families on long-term provincial welfare. The city was paying supplements to families for their children's nutritional needs - as much as \$130 a month above the basic provincial food rate in the case of infants.

If Winnipeg kept paying the higher amounts, it would have had to absorb \$2.1 million in additional costs in its \$120 million welfare budget. Instead of cutting the special children's benefit or raising property taxes, Winnipeg found another option. A City Council member wrote directly to the federal Minister of Health and Welfare, and the city eventually struck a deal to get Ottawa to share the cost of the food supplements for children under the Canada Assistance Plan. The arrangement continued until CAP was replaced by the Canada Health and Social Transfer in April 1996.

The April 1993 changes in the treatment of income from various sources were also tough on Winnipeg's welfare recipients. Earnings exemptions dropped from \$240 a month to \$130 for families and from \$125 to \$95 a month for single people. Families lost a \$205 monthly exemption on any child support payments they were receiving during their first three months on welfare. Income tax refunds aside from tax credits were no longer exempt income. Provincial income supplements of up to \$30 a month per child in low-income families and a provincial supplement of more than \$100 every three months for people 55 and older were also dropped from the list of exempt income.

Winnipeg city officials and social activists were furious with the Manitoba government. They said the changes to municipal welfare were simply an effort to cut the province's welfare budget at the expense of people who were already in very difficult circumstances. The head of Winnipeg's Planning and Community Services Committee said: "There is no government since the Victorian Age that has attacked children the way the Government of Manitoba is (doing)." ³³

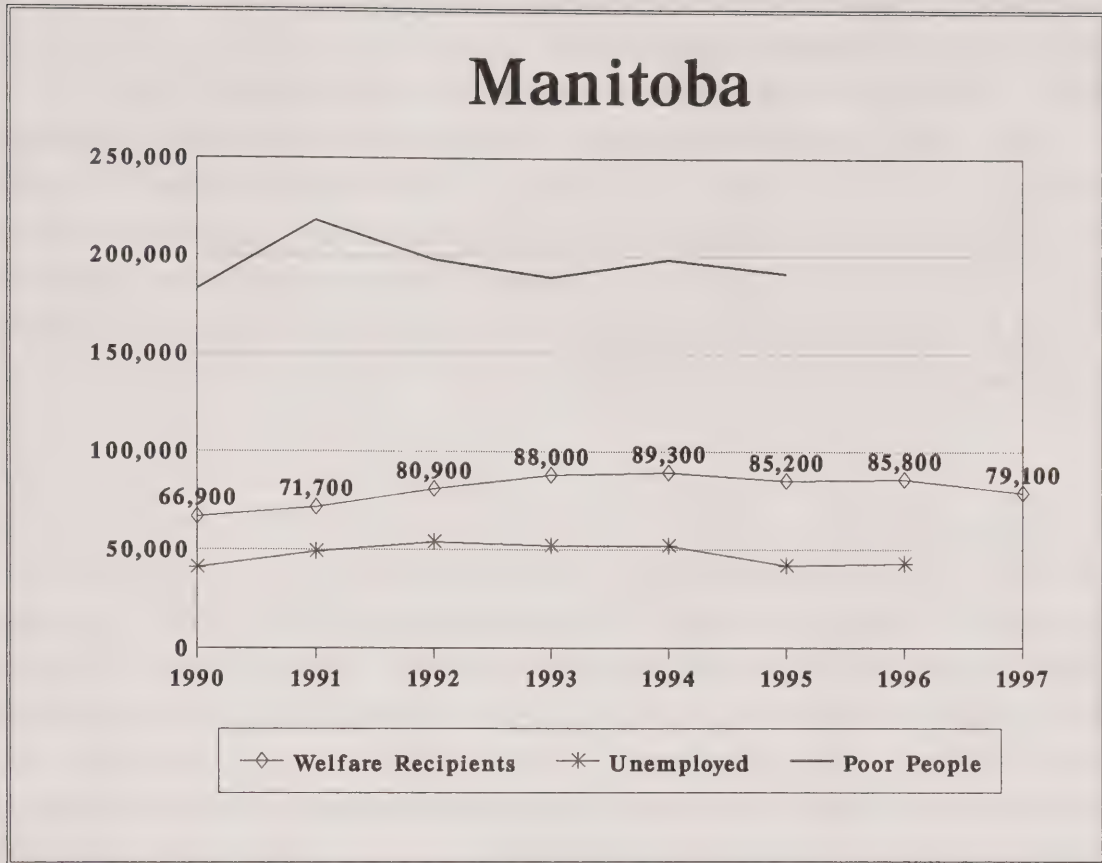
In March 1995, two years after the Municipal Assistance Regulation went into effect, the province announced it would start negotiations with Winnipeg to move towards a unified welfare system. A full six months after the provincial announcement, city officials said they had yet to see a concrete provincial proposal for a one-tier welfare system.

The National Council of Welfare's 1992 report on welfare reform showed that both the province and the City of Winnipeg were changing their systems for the better in many ways. Sadly, 1992 turned out to be a peak year for the incomes of many welfare recipients in Manitoba.

Special asset exemptions were allowed, starting in June 1991, for children's trust funds up to \$25,000. A new allowance for school supplies started in 1991-92 for high school students. The \$60 monthly disability supplement, introduced in January 1992, was increased to \$70 a month in January 1993. In the spring of 1992, the government increased its liquid asset exemptions for unemployable people, bringing them into line with the exemptions in most other provinces. As of January 1993, it started offering supplementary health care coverage for up to a year for disabled people and single parents leaving provincial welfare for jobs.

In April 1992, the federal Department of Indian Affairs and Northern Development ended its long-standing policy of paying welfare for up to a year to Treaty Indians in need after they moved away from a reserve. Many of them ended up on welfare in Winnipeg.

There were changes starting in 1993 that showed Manitoba was intent on reducing its welfare budget. In April, supplemental health insurance coverage for welfare recipients was cut back. The list of drugs and services that were covered was trimmed, major restorative dental services were subject to new dollar limits, and new welfare recipients had a three-month waiting period imposed on them for non-emergency dental and vision care.



In July 1993, the province ended its special welfare program for students, forcing over 1,000 people onto the municipal welfare rolls. In November 1993, the province changed the formula it used for collecting Social Allowance overpayments from a percentage of household income to a flat-rate monthly figure. The result was a higher recovery rate for the government and less money at the end of each month for welfare recipients who had received overpayments.

Also in 1993, the 19-year legal battle of Robert James Finlay of Winnipeg finally ended. In the 1970s, Finlay had received about \$1,000 in welfare overpayments which were subsequently deducted from his welfare cheques over a period of almost four years. The Federal Court of Canada ruled that the recovery of overpayments was not allowed under the Canada Assistance Plan if it denied a person the basic necessities of life. The case was appealed by federal authorities, because the judgement meant that provinces would not be able to collect

overpayments by reducing benefits, a common provincial practice. In March 1993, the Supreme Court reversed the lower court ruling.

Many social advocates decried the Supreme Court's decision. However, some editorialists observed that a decision in favour of Finlay could have resulted in less help for welfare recipients. If it were not possible for provinces to recover overpayments, more rigorous verification procedures would be used to prevent overpayments. Provinces might also feel compelled to reduce or eliminate certain types of discretionary benefits, such as assistance paid to single parents awaiting maintenance payments.

In January 1994, shelter allowances for employable single people were cut by \$14 a month. In April, the government cut a monthly supplement of \$30 a person that employable single people and childless couples were receiving after they had been on welfare for six months. The April 1994 budget decreased provincial welfare rates to reflect a drop in provincial tax credits. It also cut grants to welfare organizations, day care facilities and nurseries. A month later, the province slashed its special needs policies, limiting assistance to a handful of needs: newborn allowances, purchase or repair of kitchen appliances, moving expenses, children's school supplies, household start-up needs, beds and bedding, and extraordinary expenses. In June 1994, the range of drugs covered for welfare recipients was reduced even further.

The province opened its welfare "snitch line" in June. A \$50,000 advertising campaign to advertise the telephone line encouraged the public to turn in welfare cheats. In the first year of operation, more than 4,000 calls were received. A total of 531 welfare cases were found to have inappropriate entitlements. Savings to the province were \$2.4 million, compared to the initial projection of \$1.5 million.

In 1995, welfare rates and policies stayed largely the same. The most noteworthy change was in the area of employability programs. By the end of the year, the Minister of Family Services was talking about putting single-parent mothers to work when their children started school rather than when they reached the age of majority. The Minister also spoke of more administrative controls and rate cuts for the following spring. Clearly, things were going to get worse in 1996. The December 1995 Speech from the Throne promised to "encourage" more welfare recipients to work or take training. It also promised more supports like day care and transportation to help people make the transition to work.

Also late in 1995, the province announced it was passing legislation to beef up the enforcement of child support orders. As of 1996, the government would be able to refuse renewal of drivers' licenses and registration plates, seize jointly held bank accounts and access the pension benefits of non-custodial parents who were in arrears.

Major reforms were announced in March 1996 and took effect in May. A new provincial program, Employment and Income Assistance, focused on "helping Manitobans gain independence through employment." Single employable people received \$411 a month, down from \$458. The rate for a childless couple dropped from \$773 a month to \$692. People with disabilities, single parents with children under six, seniors and women in crisis shelters were spared from the cuts.

The province estimated the reforms would save about \$23 million from its \$365 million welfare bill. About 20,000 of the province's 45,000 welfare cases would be affected. The government said it expected to get about 700 people and their dependents off welfare in the first year after the reforms.

The new program offered wage top-ups to recipients in marginal jobs, but it also cut benefits to people who did not meet reasonable training or employment expectations. All new provincial welfare applicants had to sign personalized training and employability plans. Current recipients were granted a few months for "transition" before they had to sign similar plans. Under the new rules, family heads on either provincial or municipal welfare could lose up to \$100 a month from their welfare cheques if they did not meet provincial expectations regarding work. For childless recipients, not meeting expectations could result in being completely cut off welfare.

To encourage people to do their own job creation, the government said it would allow recipients participating in self-employment programs to reinvest their profits. In addition, single parents and people with disabilities leaving welfare for work would remain eligible for supplementary health coverage for up to 12 months.

Predictably, the reforms did not sit well with social advocacy groups. They accused the government of reaching into the pockets of Manitoba's most disadvantaged citizens, who were already hit hard in 1993 and 1994.³⁴

The April 1996 provincial budget was the second budget without a deficit in as many years. The government announced a \$120 million surplus for the previous fiscal year and a projected \$30 million surplus for 1996-97. Despite the improvements in the province's financial situation, the budget cut 3.2 percent of all government spending, including \$23 million in welfare spending. The province cut funding for health care and education, eliminated free eye exams for Manitobans between 19 and 65, increased nursing home rates for 80 percent of residents, trimmed its Pharmacare program and cut 350 government jobs. The budget also reduced the exemption, for welfare purposes, of provincial tax credits paid to about 18,500 people on welfare in Winnipeg. In 1995, the total credits were about \$530 for a single person or \$630 for a family of four.

The Dean of Economics at the University of Manitoba slammed the government for its "uncaring" cuts to welfare, teachers, community workers and nursery schools. He pointed to the government's "rainy day" fund, a \$150 million budget surplus accumulated since the 1995 budget. "One can only conclude," he said, "that this government is ideologically prejudiced against the public sector and that it is building up an election war chest so as to offer tax breaks in the years to come at the expense, this year, of public services, public servants and the poor."³⁵

After the cuts in April and May 1996, the province eased up on welfare reforms. The most significant event in the rest of 1996 was the introduction of draft legislation the government said would improve services to recipients and reduce administrative duplication. Anti-poverty groups in the province opposed the bill. They said it would remove the province's obligation to cover the cost of basic necessities for people on welfare.

Meanwhile, the City of Winnipeg reduced its enhanced social assistance rates for children in April 1996. The reductions occurred when the Canada Assistance Plan came to an end, because the special deal struck between the city and the federal government under CAP came to an end at the same time.

The special cost-sharing arrangement with Ottawa also applied to Christmas allowances for municipal welfare recipients in Winnipeg. At the end of 1996, Winnipeg City Council decided to wind up the Christmas fund. In its place, the city donated \$135,000 to the Christmas Cheer food hamper program.³⁶

Social assistance rates for children ages one through 17 were further reduced to provincially established rates in 1997, but the City of Winnipeg continued to maintain higher rates for infants.

As of the fall of 1997, the target date for the integration of provincial and municipal welfare programs in the City of Winnipeg was still a year away, but a host of administrative and financial issues still had to be resolved if that timetable was to be met.

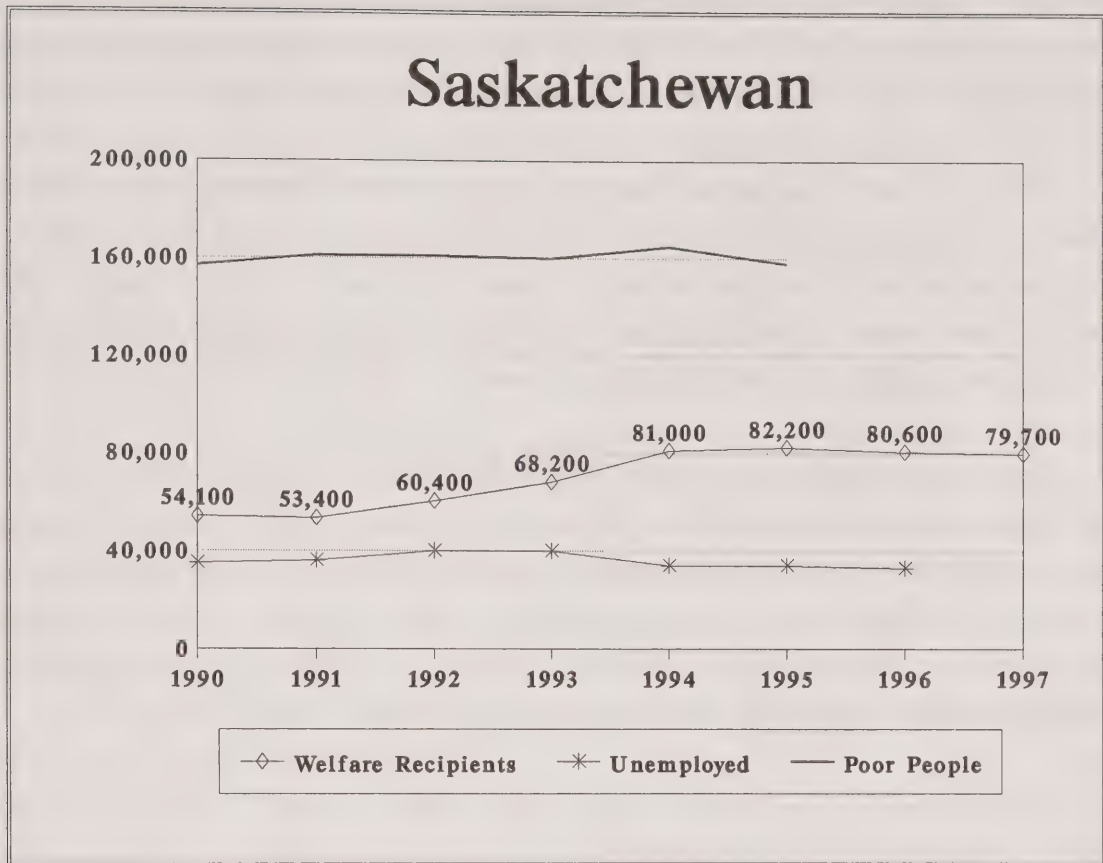
SASKATCHEWAN

Saskatchewan's New Democratic Party lost little time before turning to welfare reform after its election in the fall of 1991. Within months, it released a consultation paper entitled Changing Directions that criticized the previous Conservative government for its inadequate welfare rates, harsh controls, arbitrary case closures and a general undermining of the dignity of people on welfare. The paper suggested positive reforms based on better communication with recipients and more compassion. On the issue of rates, the paper said only that changes would be made as the province's fiscal situation permitted.

Welfare reforms in 1992 were based on Changing Directions and the input from over 250 groups during public consultations. Most of the changes were administrative in nature, and they were made to improve the treatment of people on welfare. The province eased the mandatory cheque pick-ups and job search reports of the previous government. Welfare staff working on fraud investigations were reassigned to collaborate with recipients on case planning. Intrusive verification procedures and arbitrary case closings became the exception rather than the rule.

In the summer of 1992, single parents were reclassified as unemployable until their youngest child turned six. The former government considered a single-parent mother employable as soon as her youngest child reached the age of one. Other administrative changes during 1992 improved the advocacy and appeal systems, overpayment recovery policies, the treatment of people living together, and assistance policies concerning needy youth and students.

The government standardized its long-term and short-term welfare rates in August 1992 by eliminating a lower benefit scale which applied to employables for their first three months on welfare. Basic rates were also simplified: \$195 a month for each adult plus the first child in a single-parent family and \$155 a month each for any other children. Special supplements for the disabled and residents of the northern part of the province went up, as did allowances for most boarders and personal allowances for people in residential facilities. Low-income seniors saw provincial income supplements go up by \$10 a month in October.



Standardization and simplification did not really address the issue of rate adequacy. From 1991 through 1993, the years just before and just after rate restructuring, the incomes of single employable people on welfare went up by about ten percent after inflation. For other types of households, the trend was downward.

In its 1993 budget, the Saskatchewan government gave notice that it was shooting for a balanced budget by the 1996-97 fiscal year. Budget measures included some cuts to hospitals, special care homes, dental services and prescription drug subsidies. People on welfare were exempted from the cuts to dental and drug services.

The budget also promised to increase welfare assistance to families with children, working poor families with children, and poor seniors. Rates were increased in July 1993 by \$5 a month for children in welfare families. The same month, income supplements under the

province's Family Income Plan were raised by \$5 a month for each child as a prelude to a proposed new provincial child benefit for working poor families. The budget also pledged more money to support services for troubled families and young single parents.

The government made an administrative change in April 1993 that helped many welfare families more than a normal rate increase would have done. That month, Saskatchewan started paying the actual cost of utilities for welfare households instead of using a utility allowance schedule. Many households had high heating bills because of poorly insulated housing, and their utility costs were higher than the maximum allowance.

During the summer of 1993, the federal Department of Indian Affairs and Northern Development stopped paying welfare to Treaty Indians moving off the reserve. Saskatchewan expected provincial welfare rolls to jump by about 10,000 people. In the end, nearly 13,000 new people joined the welfare rolls between March 1993 and March 1994. This was almost double the number of new people on welfare during the two previous years, despite the fact that the employment situation started improving in 1994.

The 1994 budget was tabled at a time when welfare caseloads and costs were spiralling upwards. Despite federal cuts to unemployment insurance and welfare for off-reserve Indians, the province would stay the course to a balanced budget by 1996-97. There would be no big welfare improvements for the time being, but there would be no big cuts either. The employment figures were getting much better, and the budget presented a number of measures to further stimulate economic growth. The government committed over \$4.4 million under the Action Plan for Children for measures to support children, families and communities. The Action Plan was a joint initiative involving eight Saskatchewan government departments, along with community groups, agencies and organizations across the province. Since 1992-93, it had focused on issues such as family poverty, supporting youth at risk, prevention and nutrition programs, and early childhood development.

Saskatchewan's economic good times continued into 1995, when the government tabled its first balanced budget in 12 years. It was the first province to curb its deficit, and it did so without cuts to existing programs and services. For 1995, the Saskatchewan government offered cuts in income taxes, a new training and job assistance program for youth and big public investments in economic development, but no welfare reforms.

A week before the provincial budget, Ottawa tabled its own budget. The federal government announced that the provinces were in for big cuts in transfer payments for health, post-secondary education, welfare and social services in 1996-97. Saskatchewan started public consultations which continued into 1996 on how to adjust to the federal cuts. During the 1995-96 fiscal year, provincial officials met with over 250 groups.

In January 1996, the government released a welfare reform discussion paper, entitled Redesigning Social Assistance: Preparing for the New Century. The paper pointed to cuts in unemployment insurance, welfare and assistance to off-reserve Indians in particular. On the other hand, it said the provincial economy was healthy and Saskatchewan had the lowest unemployment rate in the country. But there were many people with low education or skill levels, and child poverty had increased "significantly" over the previous 15 years. There was a need for better work incentives in the welfare system, to make jobs more rewarding than social assistance.

The discussion paper's proposals were thin on detail and had no price tags, but they pointed to major changes down the road.

The first of the major proposals was a new Saskatchewan Child Benefit, a monthly income-tested payment that would have the nominal effect of taking children off welfare. It would be also be paid to low-income families with children which were not receiving welfare. The government would offer supplementary health care coverage for people with children leaving welfare.

Secondly, a Working Income Supplement would provide monthly top-ups based on earnings and child maintenance payments received by single parents. Parents on welfare were losing a dollar of their cheques for every dollar of child support they received. The proposal would encourage them to pursue their right to child support. The discussion paper made no mention of benefit levels or other program characteristics.

One of the more controversial proposals of the discussion paper was Youth Futures. The government said that welfare would no longer be granted to people under age 22 unless their families were unable to provide financially for them or in circumstances of family breakdown. Any person under 22 receiving welfare as a single person would be required to participate in

school, training or work experience programs. Many social advocacy groups felt that Youth Futures was just another form of workfare for young people in need.³⁷

Under a reformed welfare system, a single provincial training allowance would be paid to training participants, rather than the different allowance levels that were currently in use for welfare recipients, people with disabilities and Aboriginal people. The government said it would help single parents on welfare to obtain child maintenance orders. On the issue of accountability, it would tighten up the administration of welfare to assure taxpayers that welfare is paid only to people who have no other resources. In recent years, the government hired 30 verification workers, started matching computer welfare files with other provinces, and boosted collection of overpayments.

Within days of the release of Redesigning Social Assistance, Saskatchewan media reported a generally favourable response to the proposals. Some social agencies were guardedly optimistic about the reform package, noting that Saskatchewan was proposing a gentler approach than other provinces. Over the next month or two, several editorials and articles by social advocates praised the government for its fresh and innovative proposals for welfare reform.

The discussion paper had its dissenters as well. The Saskatchewan Human Rights Commission said that the proposal concerning parental responsibility for welfare applicants over the age of majority would contravene the province's human rights code. Opposition members in the Legislature said that the government's proposals concerning 18- to 21-year-olds would take away jobs from students because there was no job creation component in the welfare reforms. Some social advocacy groups said it was unfair to force people to support their children beyond the age of majority. They also criticized the government for proposing that young people on welfare should be forced to look for work when meaningful jobs were so hard to find.³⁸

The 1996 Saskatchewan budget focused on economic growth and modest income tax cuts. Funding for the Child Action Plan went up by \$4 million to \$10 million for 1996-97. Under the plan, more assistance would be provided in the areas of educational supports for special needs and at-risk students, child care worker subsidies, measles immunization, day care subsidies for teen parents, post-adoption services and youth justice.

Overall, the budget did not have a major effect on people on welfare in Saskatchewan. There was no additional money for new welfare reforms. By the end of the year, the government had not made any improvements to its welfare system, but it had not made any cuts either. Compared with some other provinces, Saskatchewan had done better for its welfare recipients by doing nothing.

In March 1997, the province released a progress report on welfare reforms entitled Children, Families and Independence: Social Assistance Redesign. The report criticized the federal government for its February 1997 budget which delayed the start of a new federal child benefit until July 1998. The province committed \$6 million in new spending under a "transition to the child benefit" package for 1997-98.

The lion's share of the new funding went to increase income supplements to low-income families under the Saskatchewan Family Income Plan from \$105 to \$120 a month per child starting in May 1997. The Family Income Plan benefit reduction rate was improved at the same time. Benefits now go down by 40 cents for every dollar of income over \$850 a month, compared with 50 cents for every dollar over \$725 a month under the old system. The improvements in the Family Income Plan will cost about \$3.3 million for 1997-98. The rest of the \$6 million in the budget was to child care capital grants (\$1 million), a child nutrition and development program (\$500,000), northern community development (\$200,000) and school supplies and fees for children on welfare (\$500,000).

ALBERTA

Alberta was the first province to cut its welfare rolls in the aftermath of the recession of 1990 and 1991. Starting in the spring of 1993, there were major cuts and structural reforms to make welfare harder to get and to save sizable sums of money - money that would go to help wipe out the provincial deficit.

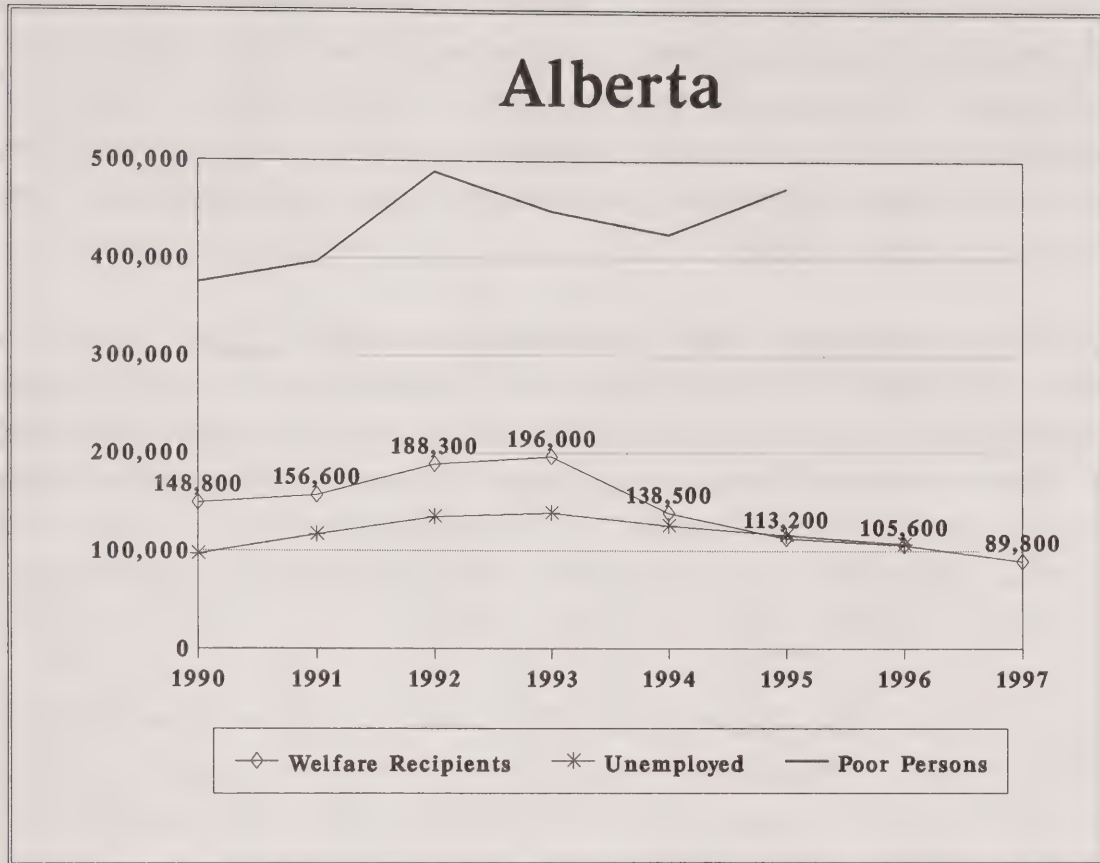
Moving as many employable welfare recipients as possible from the welfare rolls to the paid labour force was the hallmark of welfare reform in Alberta in the 1990s. The catch phrase for the effort came from the Minister of Family and Social Services: "Any job is a good job."³⁹

Rhetoric notwithstanding, it was unclear years later whether most of the Albertans who had escaped welfare with jobs would also be able to escape poverty.

Between March 1993 and September 1997, the number of welfare cases fell from 94,087 to 34,959 - a drop of 63 percent.⁴⁰ Most of the drop took place in the first year. Falling unemployment rates were obviously one reason for the decline in the welfare rolls, but the initial drop in caseloads in 1993 and early 1994 was much sharper than the drop in unemployment.

About 11,000 of the cases cut were students who were shifted from welfare to the provincial Students Finance Board. Some 18,000 cases, many with dependent children, were dropped from welfare as district offices tightened up the rules. Another 11,000 cases left welfare as a result of three special initiatives: recovery of cheques that were left unclaimed at residences, more investigations of suspicious circumstances, and targeted home visits. About 2,000 cases were permanently unemployable people who were transferred from welfare to a separate program called Assured Income for the Severely Handicapped.

Meanwhile, Alberta made a concerted effort to minimize the number of people who would come onto the welfare rolls. There has always been a huge movement of people on and off welfare during the course of any given year. The number of new welfare cases was down sharply by the middle of 1993 because of the change in government policy and remained down in the years that followed.⁴¹



District welfare offices were asked in March 1993 to develop their own initiatives to cut caseloads. Initiatives varied among the 52 district offices, but most stressed more intensive reviews of new and existing cases, requiring people to attend information sessions before processing applications for assistance, requiring recipients to follow through on mutually agreed-upon case plans, establishing waiting periods for non-emergency applicants, and more co-operation and information-sharing among governments.

A total of 67,385 welfare cases were reviewed in 1993-94 alone and 16 percent or 11,048 were closed. The province estimated savings of \$6.2 million from the cases closed. That same fiscal year, there were 11,263 complaints of welfare fraud. A total of 3,575 complaints were formally investigated and 367 charges were eventually laid. The charges laid represented 0.4 percent of the total welfare caseload of 94,087 at the start of the fiscal year.⁴²

In October 1993, maximum basic allowances were cut by \$26 a month per adult and shelter benefits by \$50 a month for most categories of welfare recipients. At the same time, the province stopped paying rental damage deposits except in cases of family violence, stopped replacing lost or stolen cheques, and cut allowances for moving, telephone connections and laundry costs for infants. The province also reduced coverage for prescription drugs, dental and vision care, and funeral services.

The monthly earnings exemption policy was changed from a graduated scheme to a flat rate plus a percentage. The old policy allowed a 100 percent exemption on the first \$115 of earnings each month, 50 percent on the next \$85, 25 percent on the next \$100, and 10 percent on any remaining amount. The new exemption is 100 percent of the first \$115 of earnings a month plus 25 percent of earnings over \$115. For a single person working full time at minimum wage, the old policy meant a total earnings exemption of \$245 a month. Under the new policy, the same person would keep \$303 from monthly earnings.

The employability policy for single parents was also amended during 1993. As a condition of eligibility, recipients must actively seek work or enter training when the youngest child in the family reaches the age of six months. The old policy exempted single parents from job search requirements until their youngest child was two years old.

There were other changes that made life tougher for people on welfare. The province was more intent on cutting people off welfare immediately when an employable recipient refused or abandoned a job without a good reason. People applying for one-time emergency assistance now have to use up all their savings before welfare will help them. Welfare officials started enforcing the policy concerning common-law relationships more strictly, cutting benefits for some and cutting others off welfare altogether. People on welfare who were boarding with relatives saw their shelter allowances cut off.

Supports for people with disabilities were spared from the welfare cuts of 1993 and 1994. While the overall budget for income and employment programs - welfare, training, Assured Income for the Severely Handicapped and the Alberta Widows' Pension - decreased by over \$300 million from 1992-93 to the 1996 budget, spending on the disabled and older widows in need actually increased.

Beginning in February 1994, each adult in the Assured Supports program (permanently unemployable by reason of disability) receives a monthly personal needs supplement of \$20. At the same time, the provincial government created the Community Living Start-Up Allowance - a one-time allowance of up to \$1,000 which may be paid to cover the cost of establishing a residence for a recipient who has been living in an institution as a result of a disability or mental illness.

On July 1, 1994, the Alberta Seniors Benefit replaced a number of programs and tax breaks for seniors. The old programs for seniors included a provincial top-up for people receiving the federal Guaranteed Income Supplement, a rent assistance program, a property tax reduction program, and full exemption from health care premiums.⁴³

The Alberta Seniors Benefit gave about 80,000 poor seniors \$26 more a year. Another 150,000 seniors saw their incomes drop by up to \$1,000 a year. The province offered relief of up to \$500 a year for the hardest-hit seniors in 1995, and program funding went up by \$14 million starting in January 1997. Over \$9 million went to health care premium subsidies for poor seniors. The rest was used to improve benefits for couples with just one spouse 65 or older. About 58,000 seniors would benefit, according to government estimates. Seniors' groups felt the province was making up for the 1994 cuts because a provincial election was looming in 1997. But the president of the Alberta Council on Aging said the changes were a "good first step" in addressing seniors' concerns.⁴⁴

Since the summer of 1994, any welfare recipient reaching the age of 60 years is required to apply for an early retirement pension from the Canada Pension Plan.

Since July 1994, the welfare program known as Supports for Independence has been available to 16- and 17-year-olds only as a last resort and only after an investigation by child welfare authorities. Where independent living is deemed to be the best option, benefits are based on a lower schedule of rates than those which apply to the general welfare caseload.

Cuts in Supports for Independence have had devastating effects on children and their parents, said a report to Edmonton City Council following a meeting between city officials and local school officials. The report noted higher levels of stress in poor families and an increase in prostitution, alcoholism, drug abuse, stealing and "some forms of violence." "At the high

school level, school staff are aware of 16 and 17 year-olds who appear to be completely on their own, still trying to attend school," the report said. "Most of these students have left deplorable personal situations involving emotional abuse, physical abuse, sexual abuse and/or neglect in their home environments."⁴⁵

The provincial budgets of 1995, 1996 and 1997 showed that Alberta is actually re-injecting funds into welfare and social services, including a modest increase in basic welfare rates that started in April 1997. The reality, however, is that a good portion of the new investment in home care, child welfare and seniors resulted from crises in those areas which were well documented. Regardless of any positive spin the province puts on any new social investments, there is no denying that the social safety net was torn for tens of thousands of people from 1993 to 1996.

In his 1994-95 annual report released in October 1995, the provincial Auditor-General declared that there was no proof that the thousands of people who had left welfare since 1993 actually found work. The report said there was "no clear link" between reductions in caseloads and various reforms introduced by the provincial government. The president of the Alberta Association of Social Workers concurred with the report, noting that demand for food banks had increased significantly during the same period.⁴⁶

In February 1996, the province issued a news release claiming "good results" from its efforts to help Albertans on welfare gain self-sufficiency. In response to the Auditor-General's report, the release presented figures on the success rates of employability programs during 1994-95 that were collected three months after participants completed their programs. The success rates ranged from 57 percent for Integrated Training to 72 percent for the Employment Alternatives Program. None of the figures impressed members of the social policy community. Success has to be measured over a period of years, not a period of months, they argued.

On October 4, 1996, the Minister of Family and Social Services announced that Alberta welfare caseloads had dropped to a 14-year low. "The true essence of social work is to help people become independent through upgrading, training and employment," the Minister declared. A dissenting view appeared in the December 1996 issue of the Edmonton Social Planning Council's magazine First Reading. According to an anonymous social worker, the true essence of social work in Alberta is cost-cutting. After the first round of cuts in 1993 and 1994, the

really employable people were gone from the welfare caseloads. Since that time, Alberta social workers felt pressure to continue reducing caseloads.

In December 1996, the Edmonton Social Planning Council and the Edmonton Food Bank released a report based on a study of food bank users which put a human face on the welfare cuts. The study involved over 800 interviews with food bank users as well as six focus groups.⁴⁷

During January 1996, the Edmonton Food Bank provided emergency food to 20,546 people. The number was 122 percent higher than three years earlier. Over 40 percent of the food bank's clientele were children under 18. Over half of food bank users in the study were on welfare, compared with less than one third before the reforms. Eighty-two percent of food bank recipients reported "some involvement" with the province's welfare system in the past three years. Three-quarters of those felt that welfare benefits were inadequate to meet their needs. One in five food bank users had no income whatsoever.

The study showed clearly that welfare reforms in Alberta had taken their toll on poor people. Almost half of the people in the study reported going without food for an entire day three or more times in the previous month. Eighteen percent of parents felt their children's nutritional needs were not being met, and half felt the same way about their own nutritional needs.

In his response to the report, the Minister of Family and Social Services said he was taking the study seriously. He did suggest, however, that food bank demand is often inflated by people who take advantage of free food because it is available.

In the fall of 1997, the Canada West Foundation published a survey prepared for the Department of Family and Social Services entitled Where Are They Now? Assessing the Impact of Welfare Reform on Former Recipients, 1993-1996. The main purpose of the survey was to find out what had happened to a representative sample of the estimated 172,176 cases which had left welfare sometime between September 1993 and October 1996. The study is also a gold mine of previously unavailable information about the social, economic and demographic characteristics of welfare recipients in Alberta.

The survey was done in early 1997 and consisted of 768 telephone interviews with former welfare recipients - including 76 interviews with people who had no telephones and were contacted initially by mail or other means. All of the people in the survey had left welfare in previous years, but some were back on welfare at the time they were interviewed.

Not surprisingly, most of the participants cited job-related reasons for going on welfare or leaving welfare. A total of 45.4 percent said they went on welfare because they were unemployed and another 18.4 percent said they went on welfare because their previous income was insufficient. Presumably, many of the 18.4 percent had insufficient income because of low-paying or part-time jobs. A total of 58.8 percent of the people gave reasons for leaving welfare that were related to work - either the person interviewed or the person's partner found a job, found a better-paying job or was able put in more hours of work.

TABLE 4
ANNUAL HOUSEHOLD INCOMES OF SURVEY RESPONDENTS IN 1996

Income	Respondents Still Off Welfare	Respondents Back On Welfare	All Respondents
Under \$5,000	14.2%	21.8%	16.3%
\$5,000-9,999	18.3%	35.5%	23.1%
\$10,00-14,999	20.9%	21.3%	21.0%
\$15,000-19,999	12.4%	6.2%	10.7%
\$20,000-24,999	9.0%	5.2%	8.0%
\$25,000-29,999	4.5%	0.0%	3.3%
Over \$30,000	13.5%	1.9%	10.3%
Unknown	7.2%	8.1%	7.4%
Totals	100.0%	100.0%	100.0%

Some of the people who left welfare were noticeably better off at the time of the survey, but most of them simply substituted one form of poverty for another by moving from the ranks of the welfare poor into the ranks of the working poor. Table 4 on the previous page gives the details.⁴⁸

Of the people surveyed who were still off welfare, 32.5 percent had incomes under \$10,000 in 1996. By way of comparison, a person who worked 40 hours a week for the entire year at the Alberta minimum wage of \$5 a hour would earn \$10,400 before income taxes and payroll deductions for Canada Pension Plan contributions and UI premiums. Of the people who were back on welfare at the time of the survey, 57.3 percent had incomes under \$10,000.

Roughly one-quarter to one-third of the people surveyed said they had trouble meeting basic needs most of the time or all the time when they were not on welfare. Half or more of the people said they had trouble meeting basic needs all or most of the time when they were on welfare.

Perhaps the most surprising findings came in response to two statements in the survey that were aimed at measuring attitudes about welfare:

- "There would be fewer social problems if individuals and families would just take more responsibility for themselves."
- "If they are able to work, people on welfare should work for their benefits."

A total of 73.3 percent of the people in the survey, either current or former welfare recipients, said they agreed or strongly agreed with the first statement, and 90 percent agreed or strongly agreed with the second statement. When the same question was asked in a survey of the population of Alberta at large, the comparable responses were 82.3 percent and 88.3 percent.

BRITISH COLUMBIA

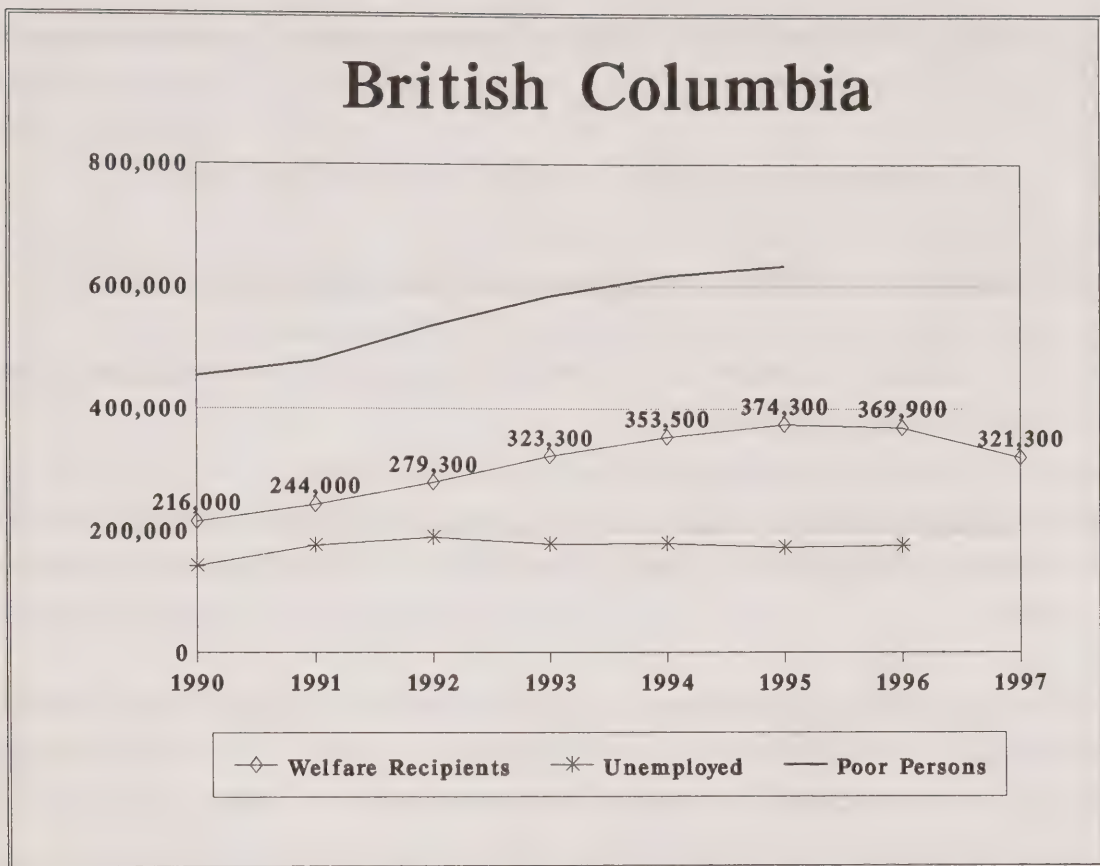
When the federal government put a cap on cost-sharing welfare and social services in the three wealthiest provinces in 1990, British Columbia could have responded with spending cuts of its own. Instead, the province chose to continue making improvements.

Basic welfare assistance was increased in 1992, 1993 and 1994, although maximum shelter rates were frozen at 1992 levels. Maximum asset exemptions were increased in 1992. The flat-rate earnings exemptions were doubled, from \$50 to \$100 monthly for single people and from \$100 to \$200 monthly for families. That meant people on welfare could earn an extra \$50 or \$100 without seeing their welfare cheques reduced.

In 1993, the Ministry of Social Services published a discussion paper entitled The Challenge of Change: Maintaining British Columbia's Social Safety Nets. The paper offered a frank assessment of poverty and welfare in British Columbia in the early 1990s. The number of poor people in the province was growing, and their average incomes were lower than those of poor people elsewhere in Canada. Over 300,000 people, one-third of them children, were dependent on welfare in 1993. That was double the figure for 1982. The paper pointed to a number of causes for the situation, including slower economic growth and the "ratcheting up" of unemployment levels from one recession to the next.

According to the paper, the federal government's response to these problems was "walking away from social spending." The province estimated it would lose \$1.6 billion over five years because of the cap on Canada Assistance Plan cost-sharing. Unemployment insurance cuts in the early 1990s were causing welfare caseloads and costs to rise. The federal government also reneged on earlier commitments to establish a national child care program in the late 1980s.

Challenge of Change was not a blueprint for welfare reform, but it did set the stage for the reforms that were coming. The paper presented seven principles to guide the B.C. government in any subsequent overhaul of the social safety net: community, security, responsibility, opportunity, sustainability, partnership and dialogue.



To encourage dialogue, the government created the Minister's Advisory Council on Income Assistance in June 1992. The 15-member body was appointed in March 1993 from a list of nominees provided by key community organizations and individuals. Members of the Advisory Council included business and labour representatives, users of social services, Aboriginal people, people with disabilities and members of advocacy groups.

The advisory council released its first report, The First Step, in February 1994. It made the following recommendations:

- an immediate increase of \$75 a month in welfare rates.
- the amalgamation of support and shelter allowances into a "global" budget to allow welfare recipients who choose lower-cost accommodation to reallocate money not spent

on shelter to other family needs. The existing system paid only actual shelter costs and only up to a monthly maximum.

- public consultations to develop a formula to determine welfare rates.
- an increase in monthly exemptions for child support received by parents.
- an exemption of arrears in child support payments paid in a lump sum, up to the appropriate asset exemption level.
- payment of welfare on the third last business day of each month. This was to eliminate variations of up to 34 days in the interval between payments under the existing system.

By the time The First Step was released, there were over 350,000 British Columbians on welfare. Costs were spiralling and federal support was dwindling. The province did not act on any of the advisory council's recommendations. Rates for food and personal needs were raised in the spring of 1994, but shelter rates remained frozen at 1992 levels.

During 1994, the province began tightening up its administrative practices as part of welfare cost containment. Information-sharing agreements were signed with other provinces to prevent duplication of welfare benefits. British Columbia signed an agreement with the federal government to allow recovery by the province of any welfare paid during the waiting period for unemployment insurance directly from a person's UI cheque. Other administrative reforms involved tightening up welfare policies concerning security deposits on apartments and lost or stolen welfare payments.

All employable people on welfare without children had to line up for their welfare cheques during 1994. This was part of a pilot project which included tightening up job search requirements for employable recipients.

Single-parent families on welfare were also touched by cost containment. Starting in April 1994, single parents were reclassified as employable when their youngest child reached 12 years. The family's benefits did not decrease, but they were subject to the same job search

and training conditions as employable people without children. Prior to April 1994, single parents were exempt from job searches until their youngest child reached 19, the age of majority in British Columbia.

The 1994 welfare reforms left the Minister's Advisory Council on Income Assistance with a precarious future. Not only was The First Step report ignored, but the advisory group's raison d'être was thrown into question by the creation of a new body called the Premier's Forum on New Opportunities for Working and Living.

The Premier's Forum was announced in the 1994 Speech from the Throne as an initiative to guide the renewal of the province's social safety net. The 23 members of the group included representatives from business, labour, universities and community groups as well as three provincial ministers and five deputy ministers.

The group released a series of reports in May 1995 containing more than 100 recommendations on the theme of "opportunity for renewal." The B.C. social advocacy community saw the Premier's Forum as a hand-picked elite group which did not truly represent the interests of the poor. But in the end, it was the Premier's Forum that drafted the blueprint for the next round of welfare reform.

On September 13, 1995, the Minister of Social Services announced a number of measures designed to tighten eligibility requirements for welfare. The changes, expected to save the province about \$35 million a year, came into effect the following month. The most important changes were as follows:

- People who refused to work or who quit their jobs were cut off welfare.
- People receiving "hardship benefits," a category of assistance for people who do not qualify for regular welfare, had to start paying back the benefits received once they returned to work, liquidated assets or received other income.
- Allowable asset levels decreased from \$2,500 to \$500 for single persons and from \$5,000 to \$1,000 for childless couples.

- A new appeal board was created to oversee decisions made by welfare tribunals.
- The Ministry expanded its information-sharing with other B.C. agencies to prevent and detect fraud.
- Health services coverage for therapies, medical transportation and diet supplements was decreased. However, maximum allowances for special diets and special food for infants were increased.
- Ninety new staff positions were created to look for waste, fraud and abuse in the system.

The Vancouver Sun reported that some 5,000 people would be cut off hardship benefits because of the new rules.⁴⁹

Later in the fall, British Columbia decided to take on the federal government by provoking a dispute about residency requirements for welfare recipients. In December 1995, it started refusing welfare to people until they had resided in British Columbia for three months. Families with children who suffered undue hardship as a result of the policy could apply for hardship assistance. The province claimed that it would save about \$25 million a year because of the change in policy.

The welfare residency requirement was in direct contravention of the Canada Assistance Plan and later the Canada Health and Social Transfer. It was one of the few welfare challenges that the federal government could not choose to ignore. Ottawa cut \$47 million from its transfer payments to B.C. The province responded with a \$47 million lawsuit against the federal government.

After much posturing and legal wrangling, the dispute was finally settled out of court in March 1997. The federal government said it would give B.C. an extra \$67 million over three years for immigrant settlement programs. The province dropped the welfare residency rule.

Also in December 1995, government announced that it would no longer replace lost or stolen cash or endorsed welfare cheques. Only welfare recipients with confirmed employment would qualify for additional assistance for work clothing and transportation.

The province revamped its appeal system, creating a new Income Assistance Appeal Board to review tribunal decisions. The Legal Services Society said the changes to the tribunal system and welfare regulations made the law more complex and the appeal process more legalistic. In a subsequent newsletter, it said that the first four months under the new system had shown the new system to be "legally and procedurally complex and inaccessible to income assistance recipients without assistance from a lawyer or a trained advocate."⁵⁰

The biggest welfare reforms of all came in 1996 with a package of initiatives known as B.C. Benefits. The centrepiece of the reforms was the Family Bonus, an income-tested monthly payment to all low-income families with children in B.C. starting in July 1996. The province said it would provide \$258 million a year in income support to some 168,000 working-poor families with children.

The Family Bonus pays a maximum monthly benefit of \$103 per child to families with annual incomes of \$18,000, decreasing to zero when income reaches \$34,000 for a family with one or two children. For families with three, four or five children, the Family Bonus falls to zero when family incomes reach \$42,000, \$50,000 or \$58,000, respectively.

Families with children on welfare also get the Family Bonus, but the amounts received are deducted from their welfare cheques. In fact, welfare households with children actually lost \$50 a year for each child in the family, because the child's portion of the B.C. Sales Tax Credit was eliminated as part of the reforms.

Another component of B.C. Benefits is Healthy Kids, which provides basic dental and vision care benefits for children in low-income working families not already covered by an employer-sponsored insurance program. Starting in January 1997, Healthy Kids paid up to \$350 a year per child for basic dental and vision care where "eligible family income" is less than \$11,000. Eligible family income is equal to net income less \$3,000 per year per child. Healthy Kids covered 145,000 children in addition to the 90,000 covered under existing plans.

Under the Youth Works program, employable people 19 to 24 years of age without children saw their welfare cheques drop by eight to ten percent in January 1996. Every person from 19 to 24 applying for welfare has to follow a three-phase employability process: seven months of job search, two months of career planning, and finally training and work experience. Categories of programs under Youth Works include basic education, job readiness/community employment training and workplace training. The government started paying an \$8,000 training credit for each participant hired by an employer.

Welfare cheques were not cut for participating youth with dependent children. In addition, the government started paying them a transition bonus of up to \$150 a month for up to a year and helped them with child care subsidies.

The Welfare to Work program cut welfare cheques for employable adults 25 years of age and over without children by eight to ten percent, also beginning in January 1996. Participants in Welfare to Work are required to work actively to return to the labour force in order to receive benefits. All other program features are similar to the Youth Works program. Welfare to Work programs are optional for people over the age of 60, and unemployed adults 55 to 65 kept on receiving the former benefit level.

There were major changes in earnings exemptions in January 1996 for welfare recipients who are also in the labour force. The old flat-rate earnings exemption was \$100 a month for single people and \$200 a month for family heads. The flat-rate amount was discontinued under both Youth Works and Welfare to Work. Participants are allowed to exempt 25 percent of any income they earn after they have been in the program for three months, but the exemption ends after one twelve-month period. This means that people on welfare who work now get to keep only a quarter of their first \$100 or \$200 of monthly earnings, and the exemption disappears completely after twelve months. B.C. is the first and only province to impose a time limit on its earnings exemptions.

British Columbia said it intended to develop, in consultation with disability communities, a new program of pension-type benefits to help people with disabilities obtain the supports they need. Until new legislation is developed, all benefits and earnings exemptions for the disabled - including unemployed adults over age 60 - would remain at current levels. Community services

would receive government support and funding, starting with \$4 million for street-level services to help people gain access to mainstream services.

The estimated cost of B.C. Benefits was \$177.6 million in 1996-97, while the total savings from rate reductions and restructuring earnings exemptions was \$207.9 million.

B.C. Benefits represented a major overhaul of the welfare system. Even the social policy community grudgingly admitted that some parts of the reform - Healthy Kids and the Family Bonus in particular - were positive supports that would help people in the marginal job market. But advocates also criticized the government for cutting the welfare benefits of people without children, for trimming earnings exemptions for all welfare households, and for eliminating provincial sales tax credits for children.⁵¹

Less than a month after the B.C. Benefits package was announced, the B.C. Federation of Labour held its annual convention in Vancouver. Delegates passed a policy statement urging the province to rescind its tough new welfare rules and to restore income assistance rates and eligibility to previous levels. Supporters of the motion accused both the provincial and federal governments of abandoning the most vulnerable segment of society.⁵²

The B.C. group End Legislated Poverty said government brochures about B.C. Benefits prior to the 1996 provincial election implied that families on welfare would wind up better off. "A lot of people on welfare thought they were getting extra money and made promises to their kids," a member of the group said after the election. "There are now thousands of disappointed kids in B.C."⁵³

The criticisms about B.C. Benefits were still being heard months later at the provincial NDP convention in March 1997. The party's rank and file took on the government about the three-month welfare residency rule, the benefit cuts to single employable people and the earnings exemption changes, and they passed a resolution calling for a number of changes in the B.C. Benefits package. The Premier told the convention he was close to an agreement with Ottawa to resolve the dispute on residency requirements, but he said other improvements in the welfare system were unlikely to happen soon.⁵⁴

Meanwhile, in January 1996, the B.C. Auditor-General released a report on the public accounts for 1994-95. The report identified a number of problems adding up to a potential waste of millions of dollars, including recipients with no Social Insurance Numbers and recipients receiving the higher benefits reserved for unemployable recipients without proof of disability. Ironically, by the time the report was released, the provincial government had matters well in hand. Further controls were introduced in 1996. The province put more emphasis on “pre-eligibility investigations.” In August, the Ministry of Social Services announced that it would start using private collection agencies to recover overpayments owed by former recipients.

In May 1996, a coalition of food agencies held a news conference in Victoria to raise public awareness about the impact of welfare reform on demand for their services. They said the public needed to know that demand for food had jumped by 50 percent from January to May 1996.⁵⁵

During the spring and summer of 1996, the provincial government committed \$13 million to create 4,000 new subsidized day care spaces for welfare parents who find jobs. It also helped disabled people on welfare by exempting non-discretionary trust funds of up to \$100,000 in the determination of welfare eligibility.

In September 1996, the B.C. government announced the creation of the new Ministry of Children and Families. The creation of the new Ministry was in part a response to a provincial inquiry into the death of a child in the child welfare system. The province decided to set up a separate department that would provide a more integrated, holistic approach to family and children’s services. It also involved dismantling the Ministry of Social Services and its replacement by the Ministry of Human Resources to oversee the residual welfare caseload: employable single people and childless couples. Social advocates say that the Ministry of Human Resources is virtually invisible in the B.C. government landscape, and all the attention goes to the Ministry of Children and Families.

Welfare is no longer be available to children under 19 living away from home. Under a new Child, Family and Community Service Act that came into force in November 1996, children are encouraged to return home whenever possible and are provided with residential, educational and other support services where family reconciliation is not possible.

On January 28, 1997, the Premier released a preliminary evaluation of the Family Bonus part of the B.C. Benefits package. The report was full of praise for the program, but sceptics in the social policy community reserved judgement pending more information and a longer time frame.

The news release from the Premier's Office proclaimed that the Family Bonus had reduced the "poverty gap" for children and helped get families off welfare, and it suggested that a national child benefit based on the B.C. model would help children throughout Canada to achieve their potential. Rhetoric notwithstanding, the B.C. government still refuses to listen to members of its own party and others, and it still refuses to correct the very correctable shortcomings of its welfare reform package.

NORTHWEST TERRITORIES AND YUKON

Canada's two northernmost jurisdictions present special challenges in the area of welfare. The Northwest Territories and Yukon cover a vast geographical area and are sparsely populated, mainly by First Nations, the Inuit and the Metis. Living costs in the North are very high. Population figures show a high proportion of young people and very high birth rates. The main sources of employment are government service and mining and the traditional skills of hunting, fishing and trapping.

Territorial governments have responsibilities similar to provincial governments, including taxation, education, health, housing and social services. In the territories, however, the principal source of revenue is the federal government's Territorial Formula Financing. For 1997-98, this block fund accounts for 75 percent of revenues for the Northwest Territories and over 65 percent of revenues for Yukon. Because of the nature of their relationship with Ottawa, the territories receive no revenues from the exploitation of their natural resources. All resource royalties go to the federal government.

The federal Department of Indian Affairs and Northern Development is responsible for Indian and Inuit affairs across Canada and for residents of the two territories. DIAND is devolving its program responsibilities to First Nations and the territories as part of downsizing by the federal government and the move to Aboriginal self-government. The initiative is similar to the Canada Health and Social Transfer in that the shift of responsibility for welfare means more flexibility, but less money. The 1995 federal budget froze Territorial Formula Financing for 1995-96 at the previous fiscal year's level and decreased it by five percent for 1996-97. Both territories have been devolving welfare and other programs to communities, with a minimum of territory-wide standards.

Northwest Territories

Welfare programs in the Northwest Territories have come under pressure in recent years - partly because of increases in the demand for assistance and partly because of plans to divide the territory to create the new territory of Nunavut in 1999. The current government is hoping

to balance its budget prior to the division to allow the two new governments to begin their mandates in reasonable financial shape.

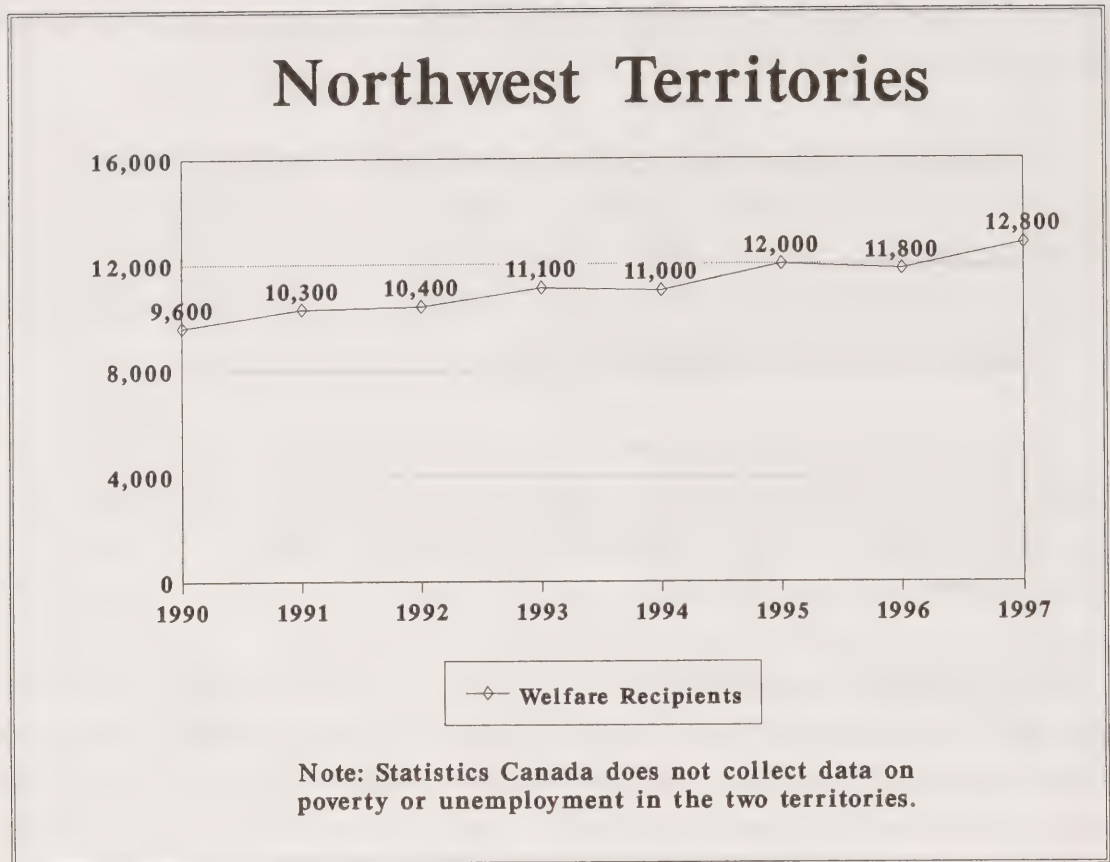
Studies by the Northwest Territories in the early 1990s revealed some sobering facts. A full two-thirds of the population is under 25 years of age. The last recession increased unemployment insurance claims by 15 percent between 1990 and 1991 alone. From 1982 to 1993, the cost of welfare went up from \$8.1 million to \$30 million. In 1994, 70 percent of welfare recipients had a Grade 8 education or less.⁵⁶

Tightening up the welfare system in the territories meant more thorough checks of applicants' circumstances and more of a focus on fraud detection. But welfare dependency kept going up, from 15 percent of the population in March 1990 to 18 percent in March 1995, when 12,000 people were receiving welfare.

Welfare rates were increased in the early 1990s, but only the portion of the allowance for food. The last increase was in October 1993. The territorial government started paying a baby layette allowance for pregnant women on welfare. Other welfare allowances remained unchanged until personal and household allowances were cut in 1995 for people just starting on welfare.

As early as September 1994, the Northwest Territories initiated "community delivery" pilot projects that would eventually involve over a dozen communities. The government wanted communities to have an integrated approach to the delivery of social programs and to respond to local needs. Throughout the community consultation process, the government kept hearing that communities wanted to run social programs themselves.

The idea of devolution was consistent with the shift to Aboriginal self-government, but there were some who feared that local control might lead to unfair treatment of welfare applicants in some communities. Some women's groups, for example, questioned whether the concerns of women would be properly addressed if the leaders in a particular community were all men.⁵⁷



During 1995 and 1996, the government continued to expand the community delivery model to other territorial settlements - still on an experimental basis.

In the spring of 1995, the welfare program was transferred from the Department of Health and Social Services to Education, Culture and Employment. The move was part of a larger plan to move toward "community empowerment." The government wanted to give communities block funds that would cover welfare and some education and health costs. Communities would run their own welfare programs, with minimal intervention by the territorial government. According to officials, there are no territory-wide welfare standards except equity across communities and the right to due process. The government says that programs will operate on community consensus rather than territorial policy, and that program administrators will be accountable to their communities, not to the territorial government.

Social work professionals are concerned that community empowerment will lead to uneven welfare standards across the territory. Block funding means that communities will get to keep any savings resulting from welfare reforms at the local level. This might well push some communities to tighten up their systems to the limit. On the other hand, block funding may not be sufficient to cover all reasonable welfare costs during difficult economic times. That would lead to additional hardships for people in need.

Meanwhile, there were cuts in basic and special allowances. The territory stopped paying household and personal allowances late in 1995 to people during their first three months on welfare. The reductions amounted to \$25 a month for a single person and \$35 for a single parent with two children. Virtually all special assistance was discontinued. Day care assistance was one of the only special needs that remained after the cuts.

In 1996, the government boosted earnings exemptions from \$50 to \$90 a month for a single person and from \$100 to \$190 a month for families. People involved in approved training and employability initiatives known as Investing in People could get an extra monthly exemption of \$200. That meant that people on welfare who were working got to keep more of their earnings before the government started reducing their welfare cheques.

On December 3, 1996, the government announced that the social assistance program would be replaced by the Income Support Program starting in January 1997. The new program is delivered at the community level, and communities which signed agreements with the territorial government get block funding for welfare in their jurisdictions. As of the middle of 1997, there were 27 communities running their own welfare programs. Territorial authorities are also moving to block funding for health and social services at the community level.

The Income Support Program is supposed to help people in need as long as they are developing career plans or participating in "productive choices." Depending on the community, the choices might include hunting, education, training or community service work. People who are unable to work and older people receive additional financial support.

When the reforms came into effect, single people saw the shelter component of their welfare cheques capped at \$450 a month. Previously, the government covered the actual cost of shelter for everyone on welfare. The impact of this change was harshest in Yellowknife,

where average rents are the highest in the territory. Rent for a modest one-bedroom apartment in Yellowknife is almost double the new maximum shelter allowance. Families and single people who are aged or disabled can still receive higher shelter allowances up to the actual cost of shelter.

The new welfare rules cut people off for three months if they refuse or quit a job or a training placement. Women on welfare must be willing to accept work or training once their child is one year of age.

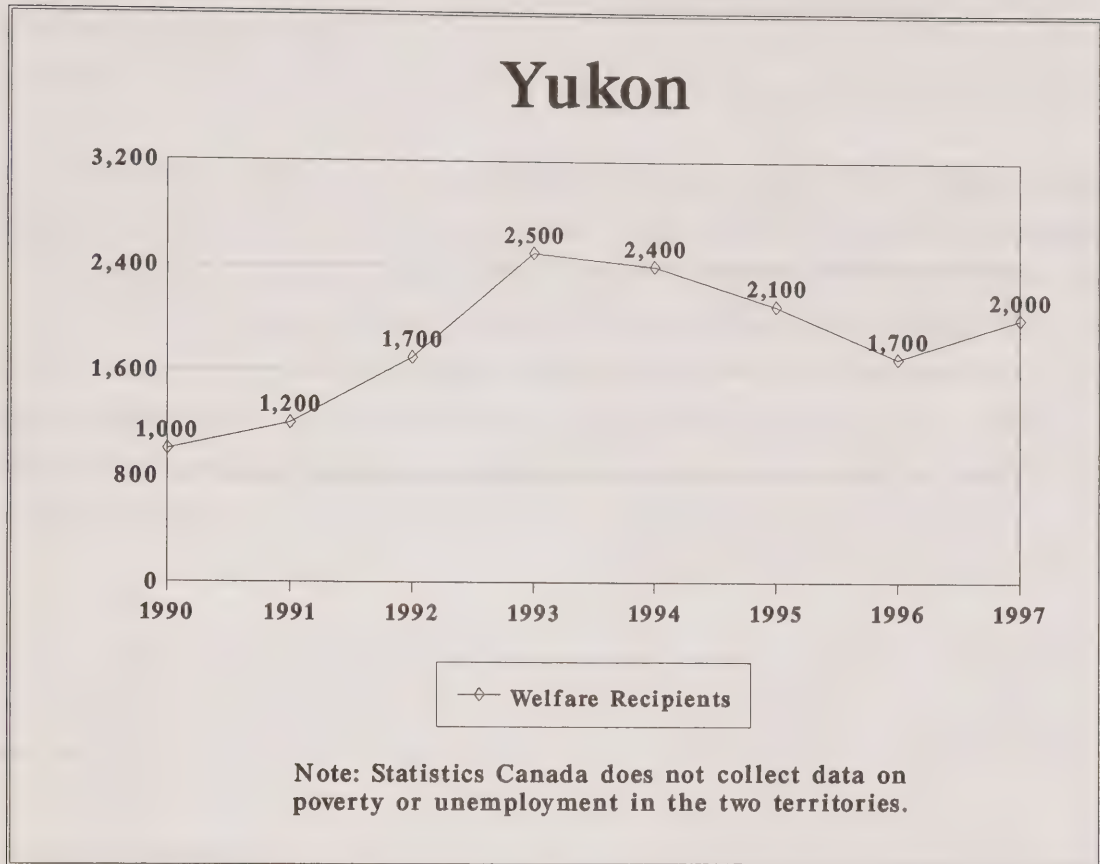
Yukon

Like every other Canadian jurisdiction, Yukon saw its welfare caseloads start to soar in the early 1990s. Welfare dependency was low at the end of the last decade - 1,000 recipients in March 1990 or about three percent of the non-Indian population. In the 1989-90 fiscal year, Yukon spent \$2.8 million on welfare. By March 1993, 2,500 people or eight percent of the non-Indian population were on welfare, and the welfare bill for 1992-93 was \$9 million.

After a first round of welfare reforms in the spring of 1993, the number of people on welfare started dropping. The number was down to 1,700 people on welfare in March 1996, but then rebounded to 2,000 in March 1997.

Basic welfare rates in Yukon have been frozen since 1991, except for an increase in the food allowance in the Old Crow region in April 1993. Welfare Incomes 1995 shows that the purchasing power of welfare incomes in Yukon has been dropping steadily for most groups of welfare recipients since 1992.

In 1991, Yukon changed its policies concerning assistance to transients and people with temporary hardships. Previously, people without a fixed address who had not worked full-time for at least three months in the preceding year were routinely refused assistance and shipped out of the territory. This residency requirement was contrary to the Canada Assistance Plan, and federal authorities forced the Yukon government to start paying basic assistance - although at reduced levels - to people just passing through and down on their luck.



An interdepartmental committee on social assistance studied different ways of cutting welfare costs during 1992. The committee released its Report on Social Assistance in January 1993. The report listed the following factors as contributing to the increase in welfare dependency and costs:

- delayed and insufficient unemployment insurance benefits;
- inability of the working poor to meet their needs through earnings;
- lack of welfare services directed at increasing employability;

- lack of incentives to earn an income; and
- disincentives for people trying to get off welfare.

The Report on Social Assistance offered a range of options to allow the territorial government to cut its welfare costs, including cutting basic and special assistance, forcing single mothers with young children to look for work, increasing earnings exemptions and social supports like day care, and tightening up on administrative efficiencies.

In 1993, Yukon reached a final agreement with Ottawa on a joint program to improve the employability of people on welfare. The federal government had been working with the other provinces and the Northwest Territories since the mid-1980s on similar agreements to help individuals overcome barriers to employment.

Meanwhile, the territorial government was putting administrative systems in place to recover automatically any welfare paid during the waiting period for unemployment insurance once UI benefits became payable. The government also proceeded with reforms to increase the welfare system's efficiency, encourage employability and reduce welfare dependency. The Minister promised to increase incentives for people on welfare to earn income while receiving benefits. At the time, there was no exemption of earnings from full-time work. Instead, the territorial government gave people on welfare working full-time a monthly allowance of \$25 for clothing and \$25 for transportation in addition to their regular allowances.

Like most other jurisdictions, the territorial government beefed up fraud investigations, verification of new applicants' circumstances, recovery of overpayments and information-sharing with other agencies.

The welfare reforms of 1993 preceded an improvement in employment in 1994 and 1995. Lower unemployment meant lower welfare caseloads, and that in turn reduced the pressure to make bigger cuts.

In April 1996 the territorial government picked up the pace of welfare reform. The \$50 monthly allowance for clothing and transportation paid to people on welfare working full-time was converted to a monthly earnings exemption - \$50 for single people and \$100 for a family.

After a person is on assistance for three months, an additional exemption is allowed equal to 25 percent of net earnings exceeding the flat rate exemptions. The appeal system was cut back and the grounds for appeal were reduced.

The territory said the primary goal of reform was to encourage labour force attachment for employable people on welfare. There were transitional benefits for people leaving assistance for full-time work and additional funds for day care. For people on welfare who could not work, there were increases in supplementary allowances and room and board rates. Any money earned by children living at home was not counted as income for the purpose of determining eligibility for welfare.

THE BROAD ISSUES OF WELFARE REFORM

There have been innumerable changes in welfare policy in all parts of Canada since the National Council of Welfare published Welfare Reform in 1992. There were grand schemes for sweeping reforms, from the enlightened to the callous. There was endless tinkering with the mechanics of the system. And there was far too much pandering to the basest form of public opinion, using stereotypes of welfare recipients that were cruel as well as untrue.

Despite all the activity and all the talk, the results of most of the reforms of recent years are not very encouraging. The main reasons for this are quite simple: lack of jobs and lack of money. The welfare rolls continue to rise and fall with the rise and fall of the unemployment rate. Meanwhile, the cuts in welfare programs imposed by governments obsessed with deficits have brought misery to millions of poor Canadians without giving them any more hope of escaping from poverty.

This chapter looks at the broad trends in welfare reform in the 1990s, with a focus on unemployment and inadequate financial support for welfare and social services.

Welfare Reform and Jobs

Welfare reform in the best sense of the word has been stymied by a national unemployment rate that remains very close to double digits years after the economy emerged from the last recession.

Like governments everywhere, the National Council of Welfare would like to see more able-bodied welfare recipients moving off welfare and into jobs that allow them to support themselves and their families. The best way to accomplish this is for governments to broaden their horizons and help create more jobs for all Canadians - not just low-paying jobs for Canadians who happen to be on welfare.

Government efforts over the years to substitute welfare reform for job creation have been largely unsuccessful. Rather than spending the bulk of their efforts on labour market policies

which would lead to more jobs and better jobs for more people in the population at large, most governments confine themselves to trying to get able-bodied people on welfare into jobs that do not exist. When all else fails, they come up with euphemisms for welfare programs built around words like "opportunity" and "independence" or call out the fraud squads to exaggerate the surprisingly small amount of cheating in the system.

The stark reality is that welfare reform without job creation simply does not work. That reality applies to all governments in Canada, regardless of their political or ideological views and regardless of the types of programs they are promoting. It applies as much to extreme measures such as workfare as it does to moderate measures such as training and career counselling.

The idea of making able-bodied welfare recipients work for their cheques certainly has appeal in some quarters. If people really want to "punish" welfare recipients, workfare is a good way to proceed. If they want to help welfare recipients become self-reliant, workfare is not the solution.

Dozens of studies of welfare to work programs in the United States show that workfare may save governments a bit of money, but its primary result is converting large numbers of poor welfare recipients into poor low-wage workers. Surely, governments could be setting goals for public policy that are higher than this.

The U. S. studies generally compared the outcomes for participants in welfare to work programs with control groups of welfare recipients over a period of months. The studies tracked the percentage of people working and average earnings and the percentage of people receiving welfare and average welfare payments. Even the best of the programs show very small improvements for participants as opposed to controls.⁵⁸

In Canada, the proposed new Ontario Works program would have every employable adult on welfare working 17 hours a week to collect welfare. But the large cities and the service clubs who are supposed to run the workfare programs were not very enthusiastic. The general response was that workfare is not practical. It would take jobs away from people already in the work force, and it would be very costly to administer.

A much more constructive approach than workfare is "opportunity planning," as proposed in Ontario in the late 1980s and in numerous other jurisdictions under different names since then. Opportunity planning was touted as a logical and systematic way to help welfare recipients overcome shortcomings such as lack of education or lack of job skills and to ensure that they move steadily - but not necessarily quickly - to financial independence.

What some advocates of opportunity planning forgot along the way was that education and training do not create jobs for the people who take advantage of them. Too many of the people who improved their job prospects at the behest of the welfare system ran headlong into the reality of high unemployment.

Most provinces argue that their employability programs are supportive, even though participation for employable people is compulsory. Several provinces acknowledge that there are often not enough training spaces available for welfare recipients anxious to find a way off the system. Some even admit that participants who do complete training courses are no better off if they still cannot land a job to take them off welfare.

The other problem with opportunity planning is that it tends to be one-sided in favour of governments. If people on welfare do not respect the terms of the contract - by not attending a training course, for example - they can be cut off welfare. If government does not meet its commitment - by not having enough training spaces for everyone on welfare interested in a particular program - nothing happens. Quebec dealt with a chronic shortage of training programs by simply eliminating the "availability" category of welfare recipients who were on waiting lists for training spots. The change had the effect of reducing welfare benefits by \$50 a month.

Despite the emphasis on employment in so many welfare programs and the obvious difficulties in getting people from welfare to work, some governments have adopted policies that have actually added to the problem. Cuts in earnings exemptions and the push to classify more welfare recipients as employable are cases in point.

Earnings exemptions allow welfare recipients to retain some of the income they receive from work and are one way of encouraging people to remain in the paid labour force - even if they do not earn enough to cover all their basic needs. Yet Ontario, Saskatchewan and British

Columbia do not allow earnings exemptions for all or some categories of recipients during the first three months a person is on welfare. All three governments say they are committed to helping people escape from welfare, yet their earnings exemptions policies are a clear disincentive for a person to find a job for the first three months on welfare.

The other area of inconsistency is reflected in the push to classify as many recipients as possible as employable. Increasingly, governments are reclassifying single parents as employable and forcing them to work or train while their children are quite young. Quebec is a good example of this. The province has long exempted single parents on welfare with preschool children from the normal requirement to find work or join a training program. By 1999, however, it intends to reclassify parents as employable when their youngest child turns two. By that time, it says it will offer free day care for all young children in welfare families.

On the one hand, it seems to make sense to encourage as many able-bodied welfare recipients as possible to enter the job market. On the other hand, it seems counter-productive to classify more and more welfare recipients as employable at a time when the work force is unable to absorb most of the welfare recipients who were previously considered employable.

Welfare Reform and Money

Cuts in federal support for welfare and social services have had a devastating effect on provincial and territorial programs. The National Council of Welfare has argued for years that correcting many of the shortcomings in the welfare system will require more money rather than less in the short run. Few, if any, governments agree.

Governments in the 1990s have found many ways to squeeze dollars out of the welfare system. Among the most common techniques are cuts and freezes in benefits, more stringent eligibility requirements, moving entire categories of recipients off the welfare rolls, and periodic campaigns against alleged abuses of the system.

Every province and territory froze its basic assistance rates at some point in the 1990s, some for years in a row. Even in Saskatchewan, where reforms have been less punitive than

elsewhere, basic assistance rates have not increased since the summer of 1993. The purchasing power of welfare incomes has fallen everywhere in Canada.

Even more damaging for people on welfare were the actual cuts in welfare rates. Alberta and Ontario led the pack, but other provinces were not too far behind. Alberta cut its basic welfare rates for everyone except permanently handicapped people by eight to 16 percent in October 1993. Ontario slashed welfare rates by 21.6 percent in October 1995 for everyone except seniors and the disabled.

Other provinces targeted single people or families with employable adults. Manitoba applied some not-too-subtle pressure on the City of Winnipeg to cut its municipal welfare rates in 1993, then imposed further cuts to everyone on welfare early in 1996. British Columbia cut its basic rates for employable single people and childless couples at the start of 1996 by eight to ten percent. Nova Scotia did not cut its provincial welfare rates, but the two-tier welfare system allowed municipalities to hack away at local welfare programs for employable people.

The National Council of Welfare cannot see how making poor people poorer is good public policy, and it is absolutely impossible for us to understand in the case of poor families with children. We have read the host of studies in recent years about the importance of giving children a good start in life.⁵⁹ We have seen calculations about the value of prevention - spending modest sums of money now to avoid huge sums down the road. We know that governments and social agencies alike are talking more and more about the determinants of health and risk factors such as poverty that keep us from fulfilling our potential as a society and make it even more difficult for poor children to thrive.

Given all this, we simply do not see how policies which deprive children in welfare families can enjoy widespread public support.

There were also deep cuts in special assistance in the 1990s, even as the demand for special assistance grew along with the number of people on welfare. Some provinces put a dollar limit on their special assistance budgets, others eliminated some types of special assistance altogether, and most tightened up their special assistance rules. Alberta cut special assistance budgets by up to 37 percent for some categories. Because of the way special assistance works in Ontario, each municipality decides how much or how little special assistance it will pay.

Every municipality had its grants from the province cut, and every municipality cut its special needs budget one way or another.

In addition to the cuts in basic and special assistance, provincial governments simply stopped paying welfare to some groups, like single parents going to university. Everywhere in Canada, people in need in post-secondary education now are routinely referred to the student loans program. People under the age of majority applying for welfare on their own are often denied assistance outright or, in extenuating circumstances, placed in supervised environments with minimum benefits. Single-parent mothers receiving provincial welfare in Ontario can be cut off welfare simply for having a male friend sleep over.

Some provinces cut their asset exemption levels, forcing people deeper into poverty before they could qualify for welfare. Late in 1995, British Columbia told single people not to bother asking for welfare until they were down to their last \$500. In the spring of 1996, Quebec started using a complicated asset exemption formula that forced most new applicants to deplete their bank accounts completely before receiving their first welfare cheques.

An increasingly common practice across Canada is to require welfare applicants and recipients who are older or disabled to apply for Canada or Quebec Pension Plan benefits. People who get an early retirement pension at age 60, for example, receive reduced pension benefits for life. Provinces and territories save money on welfare, because pensions are deducted dollar for dollar from welfare cheques.

Most jurisdictions have resisted the temptation to claw back federal benefits for children. However, Saskatchewan deducted the amount of federal Family Allowances from welfare cheques starting in the mid-1970s and continues to deduct equivalent amounts since the introduction of the federal Child Tax Benefit in 1993. In the summer of 1995, Annapolis County in Nova Scotia started deducting the Child Tax Benefit from welfare cheques to offset cuts in welfare grants from the provincial government.

The notion of moving children, older people and people with disabilities off welfare and onto other programs has been around for some time. British Columbia was the first to take children off the welfare rolls in a nominal sense under its Family Bonus program. As for the

elderly and the disabled, many provinces are moving towards pension-type programs as alternatives to welfare.

These changes are double-edged swords. Taking people with disabilities off welfare, for example, would remove the welfare "stigma" from a significant portion of the people now receiving assistance. On the other hand, it could mean that the able-bodied people left on welfare would become more vulnerable to the next round of welfare cuts.

The other problem with transferring people to other programs is that it makes for great headlines at the expense of accountability. The provinces will no doubt continue to produce welfare statistics, but they may quickly become meaningless. In relatively short order, welfare programs and reporting systems will change so much that provincial caseload numbers will no longer be comparable with numbers reported in earlier years. Nor will the numbers be comparable across jurisdictions.

One of the most discouraging trends in welfare reforms in the 1990s is the hardening of the welfare system toward the people it was set up to serve. Welfare fraud squads, telephone hotlines for suspected abuse and intrusive new verification methods have stripped even more of the dignity of people on welfare. Welfare rights groups everywhere have reported a deterioration in the attitude of the welfare system toward recipients.

Hardly a month goes by without a newspaper account of yet another case of welfare fraud, usually involving large sums of money. Government news releases regularly trumpet claims that millions of dollars are recovered annually.

British Columbia, for example, announced early in 1995 that it would save over \$46 million in the 1994-95 fiscal year because of measures to reduce welfare abuse. Social groups were quick to point out that \$35 million of that amount had nothing whatsoever to do with abuse. It represented savings to the province because of an agreement with Ottawa to recover welfare advances to people awaiting federal unemployment insurance cheques. Both Ontario and Quebec released reports in the mid-1990s that claimed high welfare fraud rates and a good return on the money spent on fraud detection. In both cases, the claims were disputed by outside experts who said the governments were inflating the numbers.

No one would disagree that there is some fraud and abuse in the welfare system. Evidence collected in several provinces indicates that the cost of fraud and abuse in Canadian welfare programs could reach several hundred million dollars a year. Large as this is, it represents perhaps two or three percent of a total annual welfare bill of \$15 billion. By way of comparison, an Ekos Research study in the summer of 1995 reported that two out of five people surveyed admitted that they cheated on their income taxes, and three out of four said they would cheat if they knew they would not get caught.

Fraud squads have always been part of the welfare system, but they became much more prominent in recent years. Meanwhile, the number of welfare households assigned to individual caseworkers rose to unmanageable proportions in some provinces. Caseloads in Ontario reached the point by 1995 where workers were unable to perform the vast majority of their "critical functions" under the standards used by the provincial Auditor-General.

All in all, the 1990s were a period of constant change in provincial and territorial welfare programs. Welfare changed more in the last few years than it had in all the years since the start of the Canada Assistance Plan in 1966. Sadly, some of the changes seemed designed to roll the calendar back to the 1950s instead of ahead to the new millennium.

RECOMMENDATIONS

The 1990s will be remembered in part for the setbacks in Canadian welfare policy, from the cuts in federal financial support for welfare and social services to the host of measures imposed by provincial and territorial governments that added to the misery of the poorest of the poor.

Strangely enough, the decade could still emerge as a time of renewal for the welfare state, if governments are foresighted enough to take advantage of current opportunities to renegotiate the financial arrangements underlying welfare and other social programs.

The most immediate cause for hope is the promise of a floor of \$12.5 billion a year in cash transfers to the provinces and territories made by the Liberal Party during the 1997 federal election campaign. The promise marked a reversal of the wholesale cuts that preoccupied successive federal governments during the first six years of the decade. A sizable cash payment from Ottawa for medicare, post-secondary education, welfare and social services would ease the financial pressure on provinces and territories in the immediate future. That in turn could provide an incentive for the two levels of government to come together and negotiate brand-new financial arrangements for some of Canada's most important social programs.

Recommendation #1: The federal, provincial and territorial governments should agree to new package of financial arrangements for social programs with the following four features:

- abolition of the Canada Health and Social Transfer at the earliest possible date;
- four new "cash-only" deals to allow the federal government to defray the cost of medicare, post-secondary education, welfare and social services;
- legislation to prevent the federal government from making arbitrary and unilateral changes in any of the four cash-only deals; and
- firm guarantees by provincial and territorial governments to respect minimum national standards for welfare.

The Canada Health and Social Transfer was the culmination of a series of social policy blunders made by the federal Finance Department in recent years. Subsequent announcements by the federal government have softened its original financial impact, but the transfer is still bad social policy and should be replaced entirely.

New financial arrangements should be based on federal cash payments rather than the combination of cash payments and taxing powers that Ottawa transferred to the provinces and territories in 1977. The combination of tax transfers and cash payments is simply not sustainable in the long term. It would be better to consider the taxing powers gone for good and concentrate on the cash. Under cash-only arrangements, the size of the federal payments would start at \$12.5 billion in the first year.

Federal cash payments under the Canada Health and Social Transfer are intended to cover medicare, post-secondary education, welfare and social services collectively. One reason to have four separate cash deals is to guarantee a sizable federal presence in each of the four areas. The National Council of Welfare strongly believes that the federal government has an obligation to promote the well-being of Canadians regardless of where they live, and we believe each of these four areas is worthy of federal support. Under the Canada Health and Social Transfer, provincial or territorial governments could theoretically use all the federal money for medicare and none for the other three areas.

The four separate cash deals would add up to a minimum of \$12.5 billion a year in federal support. The amount of federal money destined for each of the four areas would be one of the issues to be resolved at the bargaining table.

Another reason for four cash deals instead of one is to allow different formulas for determining federal payments in each of the four areas after the first year. The demand for health care and post-secondary education is reasonably stable through all phases of the economic cycle, and provinces and territories have a number of options for controlling costs over the long haul. A formula tied to economic growth or inflation would be appropriate.

The situation is different for welfare. The welfare rolls rise and fall from year to year, sometimes dramatically, at different stages of the economic cycle. The formula for a cash-only deal on welfare should be based on some other measure - perhaps a measure linked to the

unemployment rate in each province or territory. That would allow federal support for welfare to increase when the welfare rolls swell during a recession, and it would allow federal support for welfare to decline in good economic times when many of the people on welfare are able to find jobs.

That leaves the fourth area: social services. Some of the social services once covered by the Canada Assistance Plan are more or less stable from year to year. Others, notably child care, depend primarily on the willingness of provincial and territorial governments to provide subsidies to families with children. The chronic shortage of adequate and affordable child care is a major problem for many families, and it would be wrong to have a formula for day care funding that was simply based on economic growth or inflation.

Whatever deal is struck by governments to replace the Canada Health and Social Transfer should contain iron-clad guarantees by Ottawa to honour its financial commitments to the provinces and territories. Federal-provincial relations have been poisoned in recent years by arbitrary and unilateral decisions by the federal government. If Ottawa wants to improve relations and co-operate with provincial and territorial governments on matters of mutual concern, it absolutely must live up to its own word.

Perhaps the best way of keeping the federal government honest would be to have legislation similar to the legislation that governs changes in the Canada Pension Plan. The pension plan is overseen by both the federal and provincial governments, and changes in the plan require the approval of Ottawa and two-thirds of the provinces with two-thirds of the population. This prevents the federal government from acting on its own.

Similar legislation covering the four cash-only deals on medicare, post-secondary education, welfare and social services could require that changes in financial arrangements are done with the concurrence of at least seven provincial governments.

In return for legislation to guarantee predictable federal financial support for social programs, provinces and territories should agree to minimum national standards for social programs.

There are already minimum national standards for medicare under the Canada Health Act. There are no standards at all for post-secondary education and never have been. Most of the standards for welfare and social services fell by the wayside with the death of the Canada Assistance Plan in 1996.

The National Council of Welfare proposed seven standards for welfare and social services in a report entitled The 1995 Budget and Block Funding: adequacy, accessibility, right of appeal, respect for the individual, accountability, full disclosure and simplicity. We subsequently added non-discrimination to the list.

Provincial and territorial government would doubtless prefer to run welfare and social services on their own, without interference of any kind from the federal government. We believe that minimum national standards are a reasonable burden for them to accept in return for sizable amounts of federal cash.

Some of the standards, such as a right to appeal welfare decisions, should be acceptable to all governments without question. Other standards, notably adequacy of welfare incomes, could require considerable arm-twisting.

Recommendation #2: Welfare rates should be high enough to cover the cost of the necessities of life, as measured by a "market basket" of goods and services. Once set in this manner, rates should not be changed arbitrarily.

Since welfare is a program of last resort for people who have exhausted other means of support, welfare rates should be high enough to cover the cost of the necessities of life. Perhaps the easiest, least intrusive and most sensible way to do this would be to have provinces and territories adopt a market basket approach to welfare rates. Each government would draw up a detailed list of the essential goods and services typical households need every month and the cost of each item in the local marketplace. All the calculations would be made public, so people outside government could judge for themselves whether the amounts provided by welfare are reasonable.

Recommendation #3: Provincial and territorial governments should not be allowed to disentitle entire groups of people from welfare. Alternatives to welfare should be pursued, but

no one should be denied welfare simply because of their age, marital or family status, or state of health.

Three types of programs that would augment or replace welfare have been discussed in social policy circles for many years. One is a pension-like program for people between the ages of 60 and 65. The National Council of Welfare has long believed that the federal Spouse's Allowance program should be expanded to cover all low-income persons 60 to 65, not just selected groups of people 60 to 65. The Council also supports changes in the Canada and Quebec Pension Plans that would allow most people to retire at age 60 without taking a cut in pension benefits.

A second possibility is a national disability insurance program that would be considerably broader than existing programs for people with disabilities. A well-designed national program would cover many of the people with disabilities who are now on welfare and could provide supports that are tailored to the needs of each individual better than the special assistance provided under welfare programs.

A third possibility is a parental work income supplement for low-income parents. The National Council of Welfare has been promoting the idea as a way of overcoming one of the most unavoidable features of the wage system - its inability to relate the value of work in the marketplace to the number of children supported by an individual worker. We proposed a specific design for a supplement, based in part on work income supplements in Quebec and the United States, in our 1994 report A Blueprint for Social Security Reform.

Even if large numbers of current welfare recipients were shifted to other income support programs, there would always be a need for welfare as a social safety net of last resort. The following recommendations are designed to make welfare programs more humane and more sensible.

Recommendation #4: As a matter of right, all applicants and recipients should be able to appeal the decisions of welfare and social service officials. Appeal tribunals should operate in a non-bureaucratic, non-legalistic manner and render their decisions speedily.

Recommendation #5: Every provincial and territorial government should insist on comparable welfare benefits everywhere within its own jurisdiction and should cover 100 percent of the cost of welfare. Municipal governments should not pay for welfare, because they do not have the variety of taxing powers needed to cover increased welfare costs during a long or severe recession.

Recommendation #6: All provinces and territories should allow applicants for welfare and welfare recipients to retain a modest amount of savings for emergencies or special needs. People should not have to be utterly penniless before they are able to apply for welfare.

Recommendation #7: All governments should take a stand against welfare bashing. They should avoid stereotypes in all their public statements about welfare fraud and the lifestyles of welfare recipients.

Recommendation #8: Provincial and territorial governments should accept reasonable limits in the pursuit of welfare fraud. Measures such as fingerprinting which are not routinely applied to other groups of Canadians should not be imposed on welfare recipients. Governments should take pains to distinguish between fraud and administrative errors in their public statements about welfare.

Recommendation #9: Provinces and territories should provide the general public with complete and up-to-date information about welfare and social service programs and policies. At least once a year, governments should publish comprehensive welfare and social service manuals written in everyday language.

Recommendation #10: The federal, provincial and territorial governments should work together to produce a national welfare information database that is timely and readily available to the public. The database should include provincial and territorial welfare caseload statistics, rates and benefits, and detailed information about day care and other subsidized social services.

Finally, the National Council of Welfare believes that the federal, provincial and territorial governments will have to redouble their efforts to create more and better jobs for Canadians. At the same time, they should make changes in both their welfare and labour market programs to increase the incentives to work and to diminish the disincentives to work.

Recommendation #11: Governments should make the creation of more and better jobs their top priority. Job creation is good for all Canadians, not just Canadians on welfare.

Recommendation #12: "Workfare" should be banned outright. Encouraging able-bodied welfare recipients to find some kind of work is acceptable. Assigning them to specific menial or dead-end jobs as a condition of welfare is bad social policy and is tantamount to servitude.

Recommendation #13: Minimum wages should be high enough to ensure reasonable standards of living. The value of the minimum wage has plummeted in most jurisdictions in Canada during the past generation to the point that even a single person working full time at the minimum wage winds up well below the poverty line.

Recommendation #14: All provinces and territories should have earnings exemptions in their welfare programs that allow welfare recipients to enter the work force without suffering huge financial penalties. Under current arrangements in some jurisdictions, welfare recipients lose a dollar of welfare for every dollar they earn beyond a token amount.

Recommendation #15: All provinces and territories should provide assistance for prescription drugs, dental care and eyeglasses to welfare recipients and low-wage workers and their families. Losing coverage for health care costs not covered by medicare is a clear disincentive to work for welfare recipients.

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NATIONAL COUNCIL OF WELFARE

The National Council of Welfare was established by the Government Organization Act, 1969, as a citizens' advisory body to the federal government. It advises the Minister of Human Resources Development on matters of concern to low-income Canadians.

The Council consists of members drawn from across Canada and appointed by the Governor-in-Council. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council has included past and present welfare recipients, public housing tenants and other low-income people, as well as educators, social workers and people involved in voluntary or charitable organizations.

Reports by the National Council of Welfare deal with a wide range of issues on poverty and social policy in Canada, including: income security programs, welfare reform, medicare, poverty lines and poverty statistics, the retirement income system, taxation, labour market issues, social services and legal aid.

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